

# UNITED STATES-VIETNAM TRADE RELATIONS

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON TRADE  
OF THE  
COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED SIXTH CONGRESS  
FIRST SESSION

—  
JUNE 17, 1999  
—

**Serial 106-20**  
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## UNITED STATES-VIETNAM TRADE RELATIONS

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**JUNE 17, 1999**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON TRADE,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 10:30 a.m., in room 1100, Longworth House Office Building, Hon. Philip Crane (Chairman of the Subcommittee) presiding.

[The advisories announcing the hearing follow:]

# **ADVISORY**

FROM THE COMMITTEE ON WAYS AND MEANS

## **SUBCOMMITTEE ON TRADE**

FOR IMMEDIATE RELEASE

CONTACT: (202) 225-1721

June 4, 1999

No. TR-12

### **Crane Announces Hearing on U.S.-Vietnam Trade Relations**

Congressman Philip M. Crane (R-IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on U.S.-Vietnam Trade Relations, including the President's renewal of Vietnam's waiver under the Jackson-Vanik amendment to the Trade Act of 1974. The hearing will take place on Thursday, June 17, 1999, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.

Oral testimony at this hearing will be from both invited and public witnesses. Invited witnesses will include the Honorable Douglas "Pete" Peterson, U.S. Ambassador to Vietnam. Also, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

#### **BACKGROUND:**

Vietnam's trade status is subject to the Jackson-Vanik amendment to Title IV of the Trade Act of 1974. This provision of law governs the extension of normal trade relations (NTR), including normal tariff treatment, as well as access to U.S. Government credits, or credit or investment guarantees, to nonmarket economy countries ineligible for NTR treatment as of the enactment of the Trade Act. A country subject to the provision may gain NTR treatment and coverage by U.S. trade financing programs only by complying with the freedom of emigration provisions under the Act. The extension of NTR tariff treatment also requires the conclusion and approval by Congress of a bilateral commercial agreement with the United States providing for reciprocal nondiscriminatory treatment. The Act authorizes the President to waive the requirements for full compliance with respect to a particular country if he determines that a waiver will substantially promote the freedom of emigration provisions, and if he has received assurances that the emigration practices of the country will lead substantially to the achievement of those objectives.

Since the early 1990s, the United States has taken gradual steps to improve relations with Vietnam. In February 1994, President Clinton lifted the trade embargo on Vietnam in recognition of the progress made in POW/MIA accounting and the successful implementation of the Paris Peace Accords. The United States opened a Liaison Office in Hanoi later that year. On July 11, 1995, President Clinton announced the establishment of diplomatic relations, which was followed by the appointment of former Congressman Douglas "Pete" Peterson as U.S. Ambassador to Vietnam. In 1997, the Office of the United States Trade Representative began negotiations, which are still ongoing, toward the conclusion of a bilateral commercial agreement with Vietnam.

Because Vietnam has not yet concluded a bilateral commercial agreement with the United States, it is ineligible to receive NTR tariff treatment. However, if the President determines that a Jackson-Vanik waiver would substantially promote the freedom of emigration objectives under the Trade Act of 1974, U.S. exporters to Vietnam are given access to U.S. Government credits, or credit or investment guar-

antees, such as those provided by the Overseas Private Investment Corporation, the Export-Import Bank, and the U.S. Department of Agriculture, provided that Vietnam meets the relevant program criteria.

On March 9, 1998, the President first determined that a Jackson-Vanik waiver for Vietnam would substantially promote the freedom of emigration objectives under the Trade Act of 1974. On April 7, 1998, the President issued Executive Order 13079, under which the waiver entered into force. The renewal procedure under the Trade Act requires the President to submit to Congress a recommendation for a 12-month extension no later than 30 days prior to the waiver's expiration. On June 3, 1998, the President renewed Vietnam's waiver for the next 12-month period. On June 3, 1999, the President again issued a 12-month waiver. The waiver authority will continue in effect unless disapproved by Congress within 60 calendar days after the expiration of the existing waiver. Disapproval, should it occur, would take the form of a joint resolution disapproving of the President's waiver determination. In the 105th Congress, a resolution of disapproval, H.J. Res. 120, was considered and failed by a vote of 163 to 260.

In 1998, two-way trade between the United States and Vietnam was valued at \$827.6 million. United States exports to Vietnam last year totaled \$274.2 million, and U.S. imports from Vietnam equaled \$553.4 million. Top U.S. exports included machinery and transportation equipment, and chemicals and related products. Top U.S. imports from Vietnam in 1998 included food and live animals, and miscellaneous manufactured articles.

In announcing the hearing, Chairman Crane stated: "This hearing will provide the Subcommittee with an opportunity to review Vietnam's Jackson-Vanik waiver and the progress that has been made on pending emigration cases of concern to the United States. It is also an occasion to assess progress made in cooperation on POW/MIA accounting. In addition, Vietnam is a significant potential market of 78 million people to U.S. firms and workers in the important Southeast Asian region. I look forward to this chance to review the status of the ongoing negotiations with Vietnam toward a bilateral trade agreement, which must be concluded and approved by Congress before normal trade relations can be extended to Vietnam."

#### **FOCUS OF THE HEARING:**

The focus of the hearing will be to evaluate overall U.S. trade relations with Vietnam and to consider the President's renewal of Vietnam's waiver under the Jackson-Vanik amendment to the Trade Act of 1974. The Subcommittee is interested in hearing testimony about Vietnam's emigration policies and practices, on the nature and extent of U.S. trade and investment ties with Vietnam and related issues, and on the potential impact on Vietnam and the United States of a termination of Vietnam's waiver. Finally, witnesses may also address U.S. objectives in the ongoing negotiations with Vietnam to conclude a bilateral commercial agreement.

#### **DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:**

Requests to be heard at the hearing must be made by telephone to Traci Altman or Pete Davila at (202) 225-1721 no later than the close of business, Thursday, June 10, 1999. The telephone request should be followed by a formal written request to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Subcommittee on Trade will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee on Trade staff at (202) 225-6649.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard.

Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED.**

The full written statement of each witness will be included in the printed record, in accordance with House Rules.

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, of their prepared statement for review by Members prior to the hearing. Testimony should arrive at the Subcommittee on Trade office, room 1104 Longworth House Office Building, no later than Tuesday, June 15, 1999. Failure to do so may result in the witness being denied the opportunity to testify in person.

#### **WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:**

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, with their name, address, and hearing date noted on a label, by the close of business, Tuesday, June 22, 1999, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Trade office, room 1104 Longworth House Office Building, by close of business the day before the hearing.

#### **FORMATTING REQUIREMENTS:**

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.
4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at "[http://www.house.gov/ways\\_means/](http://www.house.gov/ways_means/)".

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including avail-

ability of Committee materials in alternative formats) may be directed to the Committee as noted above.

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\*\*\*NOTICE—CHANGE IN TIME\*\*\*

# **ADVISORY**

FROM THE COMMITTEE ON WAYS AND MEANS

## **SUBCOMMITTEE ON TRADE**

FOR IMMEDIATE RELEASE  
June 14, 1999  
No. TR-12-Revised

CONTACT: (202) 225-1721

### **Change in Time for Subcommittee Hearing on U.S.-Vietnam Trade Relations Thursday, June 17, 1999**

Congressman Philip M. Crane (R-IL), Chairman of the Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee hearing on U.S.-Vietnam trade relations, previously scheduled for Thursday, June 17, 1999, at 10:00 a.m., in the main Committee hearing room, 1100 Longworth House Office Building, will now begin at 10:30 a.m.

All other details for the hearing remain the same. (See Subcommittee press release No. TR-12, dated June 4, 1999.)

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Chairman CRANE. Will everybody please take their seats so we can start our hearing.

Good morning, and welcome to this hearing of the Subcommittee on Trade on United States-Vietnam trade relations. Since the early nineties, the United States has taken gradual steps to normalize our relations with Vietnam, contingent upon Vietnam's full cooperation with us to achieve the fullest possible accounting for our missing servicemen and women. The steps toward normalization have been marked most significantly by the lifting of the trade embargo against Vietnam in 1994, followed by the normalization of diplomatic relations in 1995, and the appointment of our former colleague Pete Peterson, who will testify today, to serve as U.S. Ambassador to Vietnam.

Last year, the President first issued a waiver for Vietnam from the freedom of emigration criteria in the Jackson-Vanik amendment to the Trade Act of 1974, the provision of law which governs U.S. trade relations with nonmarket economy countries, including the extension of normal trade relations. Earlier this year, or this month rather, the President renewed Vietnam's Jackson-Vanik waiver for another year, finding that the waiver would continue to substantially promote the emigration objectives in the statute. Be-

cause Vietnam is not yet eligible for NTR, normal trade relations, trade status in its relations with the United States, the practical effect of the waiver has been to enable U.S. Government agencies, such as the Overseas Private Investment Corporation, the Export-Import Bank, and the U.S. Department of Agriculture, to provide financing to Americans interested in doing business with Vietnam, provided that Vietnam meets the relevant program criteria. This is a necessary first step on the way to full normal trade relations with Vietnam.

This week, the Office of the U.S. Trade Representative is engaged in the latest round of negotiations with the Vietnamese on a bilateral commercial agreement which will serve as the foundation for an extension of reciprocal NTR after the agreement is concluded and approved by Congress. In recent months, there has been significant progress in the negotiations, and I am hopeful that an agreement can be reached in the near future which will provide U.S. firms and workers with access to the Vietnamese market, which is the 12th most populous in the world. As we anticipate the conclusion of the bilateral agreement, continued full cooperation by Vietnam in all areas of our bilateral relationship is absolutely essential to prepare for congressional consideration of the agreement on its merits, and the subsequent extension of NTR.

I look forward to our witnesses' testimony on a broad range of bilateral issues and policy objectives in U.S. relations with Vietnam. I now recognize Mr. Levin, the Ranking Minority Member of the Subcommittee, for an opening statement.

Mr. LEVIN. Thank you, Mr. Chairman. Thank you for this hearing today on the important subject of United States-Vietnam trade relations. It goes without saying that our relationship with Vietnam is a complicated one. It is bound up with very deeply felt emotions about the recent past. It cannot easily be separated from the task of building commercial ties that will carry us into the future. But it is important that we pursue that task. Building the foundation for a strong commercial relationship is not only in our national economic interest, it is also in our security interest and our diplomatic interest. In helping to develop the foundations for a market economy and a democratic society in Vietnam, we can make an important contribution to fostering regional stability.

There are two questions, one near-term and another long-term, for this Subcommittee and the Congress as a whole. The near-term question, do we support the President's renewal of the Jackson-Vanik waiver for Vietnam? The longer-term question, will we support a bilateral trade agreement and full normalization of trade relations with Vietnam?

I support the President's renewal of the waiver for Vietnam. In 1994, we took an important step towards repairing relations between our two countries. In recognition of Vietnam's efforts to locate missing United States servicemen and women in Southeast Asia, we lifted the comprehensive embargo that we had imposed on that country since 1975. We took another step in 1995 when we reopened the United States embassy in Hanoi. We took a further step last year in terms of the waiver. The House rejected the disapproval resolution by a vote of 163 to 260. We are making progress. It would be a mistake to go backward. Rejecting the waiv-

er would send the wrong message, and would only hinder our efforts to improve relations and to encourage the development of a free market and the rule of law in Vietnam.

Further normalization of trade relations is a much different issue. Here, while negotiators are making progress, a number of important issues remain outstanding. I look forward to hearing from all of our colleagues on both sides of the rotunda and to our former colleague, Ambassador Peterson. In that, in particular, we must ensure that United States rights are enforceable in evolving economies like Vietnam, where laws are not always administered in transparent ways. One area of particular concern in the case of Vietnam is the slow pace of economic reform. I expect that several witnesses will testify today about the problems of corruption, piracy of intellectual property, lack of reliability in government-published economic data, and other obstacles. These problems must be fully addressed in a trade agreement.

Another area of importance is the potentially distorting effects that evolving economies' labor market structures may have on competition, as when core worker rights are not enforced. For example, Vietnam estimated in 1997 that approximately, and "29,000 children below the age of 15 were victims of exploitative labor." And "that estimate may have been low," according to the State Department's most recent report on Vietnam.

In addition to raising the critical human rights concern, the prevalence of child labor in Vietnam raises a significant concern about the terms on which Vietnamese companies compete with U.S. companies. The President said in his State of the Union Address and last weekend at the University of Chicago that our trade policy should encourage, as he said, a leveling up, not a leveling down. Consistent with that goal, he expressed American support for an international convention banning abusive child labor in his address yesterday to the ILO, International Labor Organization. Normalization of United States trade relations with Vietnam must be predicated on, among other conditions, significant progress towards the elimination of child labor practices in that country.

I understand that our trade negotiators are working hard at putting together a bilateral trade agreement with Vietnam. I hope that in addition to insisting on commitments such as reductions in tariffs, liberalization of investment rules, and expansion of trading rights, they will also insist on commitments in the areas that I have touched upon. Again, we look forward to the testimony of our three distinguished colleagues, the Ambassador, and other witnesses.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you. We have a full schedule today. In the interest of time, I ask our witnesses to please limit your oral testimony, to 5 minutes each. Any longer written statements will be made a part of the permanent record.

Our first panel will consist of our colleagues, Senator John Kerry of Massachusetts, Congressman Dana Rohrabacher of California, and Congressman Earl Blumenauer of Oregon. I know, Senator Kerry, that you are on a tight time constraint. So after your testimony, if our other two witnesses would hold just a second for any questions that anyone may have of Senator Kerry, and then he can

be excused to return to other business at some other chamber here on the Hill.

We'll start with you, Senator Kerry.

**STATEMENT OF HON. JOHN F. KERRY, A U.S. SENATOR FROM  
THE STATE OF MASSACHUSETTS**

Senator KERRY. Mr. Chairman, Ranking Member Levin, thank you very much. I appreciate your courtesy. I will be brief. I have already given my full text to the clerk. I thank you for including that in the record. Thank you for inviting me to testify again. I regret that my good friend and colleague, Senator McCain, was unable to join me this morning, but he, I know shares the point of view that I will express and ask that I so state.

Mr. Chairman, I very strongly support the President's decision to renew the waiver of Jackson-Vanik. May I say that I think the Congress of the United States made the correct decision last year not to interfere with that decision. Everything that has happened in the course of the last year, in my judgment, underscores why that was the right decision and important. In point of fact, the last year arguments were made to you, as a rationale for not extending it, that cooperation on a number of fronts would stop. On its face, those arguments were proven wrong by virtue of continued, in fact increased, cooperation in a number of areas and continued cooperation in others.

I would just say to the Subcommittee with all respect and candor, that we continue to have a very broad range of interests in Vietnam. Needless to say, first and foremost, obtaining the full full-est possible accounting of American servicemen missing from the war, promoting freedom of emigration, promoting human rights and freedoms, encouraging them to maintain a course of economic reform, and opening their markets to American companies, and ultimately to adopt a much more open society.

We care about stability in the region. We have interests with respect to China, the South China Sea, commerce in the region, ASEAN, a host of similar interests with respect to Cambodia, the influence Vietnam can provide with respect to the Khmer Rouge accountability question, and so many others. I suggest there are a broad range of issues on the table.

Let me just say very quickly, Mr. Chairman, for 20 years we had no progress at all on MIA/POW, none. No progress, no accountability, no family learned the fate of their loved one for 20 years. It wasn't until we began a process of careful, staged, step-by-step engagement with Gen. Vesse, with President Bush, with Gen. Scowcroft, and continued that through this administration, that families have begun to be able to learn what happened to their loved ones. The fact is that in the last 6 years, there have been 33 joint field activities to repatriate remains, 266 sets of remains have been repatriated and 117 of them have been identified. They have provided reports on their unilateral investigations to help us on 162 different cases.

The fact is that since we requested that they be set up, Vietnam has provided assistance through unilateral document search teams. Those could stop tomorrow. If we want to go backward, we can go backward. But every official involved with the process believes we

are making gains by proceeding forwards. The search teams have handled over documents in some 14 separate turnovers, 300 documents, some 500 to 600 untranslated pages, and we are working on those now. In addition, the Government of Vietnam has identified 31 witnesses and 40 more in the future to participate in investigations on the borders. They have proven to be crucial in our accountability efforts in Laos.

When I began as Chairman of the POW/MIA Committee, Mr. Chairman, we had 196 individuals who were on the list of "last known alive cases." We had no identification of them at all. We are now at a state where we have determined the fate for all but 43 of those 196 on the list. The only way we did that was with cooperation.

Let me just say a final comment. The record shows that last year's waiver in fact created an incentive for further cooperation. Since the waiver was renewed last year, Vietnam has made substantial and consistent progress on emigration issues, particularly on the ROVR agreement, where we are up to 96 percent now of all people interviewed. We have had resumption of the Orderly Departure Program for former U.S. Government employees which we had suspended in 1996, and we are making enormous progress there.

I will acknowledge, I would like to see them do more and move faster, particularly in human rights. I would like to see China do more. I would like to see a host of countries on this planet do a lot more faster. But the fact is, that while it isn't everything we want it to be, liberalization continued over the course of last year. Vietnamese now have access to the Internet, with some limitations. Participation in religious activity has increased, even for some groups such as Buddhists and Catholics that had been the targets of government repression.

On the labor front, we all wish their labor law would embrace more. But the fact is, that there were 60 organized strikes, including strikes against state-owned enterprises that were allowed to take place. That is a change. That is a difference. The Vietnamese Government is now drafting legislation on freedom of association. Since the extension of the Jackson-Vanik waiver last year, 24 prisoners of conscience were released. Now there isn't one of us sitting here who wouldn't like it to be zero prisoners of conscience, and that there are complete laws adopted. But every one of us understands that even in this country, there was a 200-year road developing our own labor relations, developing our own rights to strike, developing our own extension of rights to people. It was only in our lifetime and some of our public service that everybody in this country even got the right to vote, in the sixties with the Voting Rights Act. We have still got things to fight about.

I think it is important to measure this progress appropriately. To move back on Jackson-Vanik would be to sort of turn the clock back in a way that I think would be counterproductive to the efforts we are making. I hope, Mr. Chairman, that this Subcommittee and the Full House will recognize that the road is sometimes rocky, but at least we are on the road and moving in the right direction.

I thank the Chair.

[The prepared statement follows:]

**Statement of Hon. John F. Kerry, a U.S. Senator from the State of  
Massachusetts**

Mr. Chairman, it is an honor for me to testify again this year before the Subcommittee on the President's decision to renew the waiver of the Jackson-Vanik amendment for Vietnam. As you know, I supported the President's decision last year to renew the waiver, and I support his decision this year to extend the renewal. I continue to believe that our national interests are promoted by waiving the amendment and that overturning the waiver would have serious negative consequences for our bilateral relations with Vietnam and our larger interests in Southeast Asia.

The United States continues to have important and varied interests in Vietnam and in the region. First is the overriding humanitarian interest in continuing the process of obtaining the fullest possible accounting of American servicemen missing from the war.

Second, we have an interest in promoting freedom of emigration—an area in which the government of Vietnam has made substantial process particularly over the last year.

Third, we have an ongoing interest in promoting human rights and democratic freedoms around the world, including in Vietnam where the composition of the population—over 60 percent of Vietnam's population are under 25 years of age—and the process of economic development hold the promise of political liberalization over time.

As the twelfth largest country in the world with a population of 78 million, Vietnam is a potentially significant market for American goods and services. It is in our interest to help Vietnam develop that market by continuing the course of economic reform that it began in the late 1980s.

Vietnam is an integral part of Southeast Asia—a region where political stability has been sporadic at best. The region is still recovering from the impact of the Asian financial crisis, and although the situation in Cambodia has improved over the last year, Cambodia and Burma continue to be potential flash points. Our interests in promoting stability in this often volatile region dictate that we have an active presence and effective working relationships with all of the countries including Vietnam.

We also have overriding strategic and political interests in counter balancing China's position and growing influence in Southeast Asia. Over the last few years China has been aggressively courting the countries of Southeast Asia even those, such as Vietnam, which were historical enemies. China has mended fences with Cambodia's Prime Minister Hun Sen. China has been the number one supplier of arms to the military junta in Rangoon and has continuously worked to develop Burma as an outlet for Chinese goods from land-locked Yunnan province. Although Vietnam has been invaded by China many times, Beijing has made a concerted effort to improve relations with Hanoi. A trip to the border provides a first hand picture of the budding trade relationship between China and Vietnam.

Last, but certainly not least, as I emphasized in my testimony last year, we have an interest, a responsibility, and a national need to heal the wounds of a nation and put the past behind us once and for all. The step by step process of normalizing our relations with Vietnam is a means of healing those wounds.

The real question is how we promote these interests most effectively? Those who oppose the Jackson-Vanik waiver want to turn the clock back to the policy that we had in place for some 20 years after the war—a policy of denial. But Mr. Chairman, as I indicated in my testimony last year, that policy was a complete failure and the history of the POW/MIA issue clearly demonstrates this point.

For years after the war, we tried to promote our primary interest in Vietnam—to resolve the cases of American servicemen still missing from the war—by denying Vietnam the benefits of trade and diplomatic relations. The policy produced few positive results. Progress on the POW/MIA issue came only when we began to engage the Vietnamese and to recognize that the Vietnamese needed and wanted a relationship with the United States. This recognition was implicit in the Bush Administration's roadmap which set out a step by step process for normalization of relations between the United States and Vietnam.

We have made enormous progress in the process of POW/MIA accounting as a result of the cooperation that we have received, and continue to receive, from the Vietnamese. In the last six years American and Vietnamese personnel have conducted 33 joint field activities (JFAs) in Vietnam to recover and repatriate remains. 266 sets of remains have been repatriated and 117 remains have been identified. In addition to working jointly with the United States on remains recovery, the government of Vietnam since 1993 has provided reports on their unilateral investigations of 162 cases.

When I became Chairman of the Senate Select Committee on POW/MIA Affairs in 1991, 196 individuals were on the list of “discrepancy” or “last known alive” cases. These were cases in which individuals survived their loss incidents but they remain unaccounted for because they did not return alive and their fate was uncertain. These are the most difficult and heartbreaking cases. We have now determined the fate for all but 43 of the 196 on this list. This means, Mr. Chairman, that their families and friends finally know what happened to them.

Since agreement was reached in December 1994 on joint U.S.-Vietnamese-Lao trilateral investigations in Laos, 31 Vietnamese witnesses have participated in operations in Laos; the government has identified another 40 to participate in future investigations, eight of these identified since the beginning of December 1998. These witnesses have proved crucial to our accounting efforts in Laos. For example, information provided by Vietnamese witnesses resulted in the recovery and repatriation of remains associated with two cases in 1996: one involving eight Americans and another involving four. In the last year a Vietnamese witness has also participated in an investigation in Cambodia.

One of the critical questions at the core of the accounting process is what documents or information does Vietnam or its citizens possess that could provide answers. When we started this process several years ago, we had little access to information. That has changed dramatically. We have a full time archive in Hanoi where Americans and Vietnamese work side by side to resolve remaining questions. Thousands of artifacts, documents and photographs have been turned over by Vietnamese officials for review. Over 28,000 archival documents have been reviewed and photographed by joint research teams. We have conducted over 260 oral history interviews in addition to those conducted during the joint field activities. In response to an American request, Vietnam in 1994 created unilateral document search teams. Since that time they have provided documents in 14 separate turnovers totaling 300 documents of some 500–600 untranslated pages. Most recently the Vietnamese provided 12 documents in two separate turnovers in support of our study of Vietnam’s collection and repatriation of American remains. These teams have undertaken research not only in archives in Hanoi but also in archives in more than 19 provinces in the country.

Mr. Chairman, last year those who opposed the waiver of the Jackson-Vanik amendment suggested that progress on POW/MIA accounting would decrease. That simply has not been the case. Cooperation has continued, and we have made further progress on this issue. Joint field activities continued. More remains were repatriated. The Vietnamese continued to conduct unilateral investigations and document searches and to cooperate in the trilateral investigations. Leads that might help to resolve the outstanding discrepancy cases continued to be investigated by Vietnamese and American teams.

During my tenure as Chairman of the Senate Select Committee, I spent countless hours and made numerous trips to Vietnam in an effort to develop and improve cooperation on the POW/MIA issue. I am convinced that we made progress on this issue because of engagement and cooperation, not isolation or containment. And I am equally convinced that the best way to promote our broad range of interests in Vietnam continues to be to engage the Vietnamese and to follow our present policy of step by step normalization of bilateral relations with Vietnam.

The waiver of the Jackson-Vanik amendment is a modest but important step in the continued normalization of our relations with Vietnam. It simply enables the Export-Import Bank and OPIC to operate in Vietnam—a step that is for the benefit of American companies and by extension the American economy. It is important to note that this waiver does not extend most-favored-nation tariff treatment, or as it is now called NTR (normal trade relations), to Vietnam. That step will come only when the United States and Vietnam have completed negotiations on a bilateral trade agreement.

Those who oppose the Jackson-Vanik waiver argue that we are moving too fast, that Vietnam’s performance in the areas of emigration, human rights, and some would even say POW/MIA is unsatisfactory, and that our policy of engagement has yielded few tangible results. I disagree and I think the record backs me up.

The use of carrots or incentives creatively has been at the core of our policy toward Vietnam since the President, with the overwhelming express support of the Senate, lifted the unilateral U.S. trade embargo in 1994. There is no question that the waiver of the Jackson-Vanik amendment has served as an incentive for continued progress on emigration—the one and sole issue on which the extension of MFN, US governmental credits and credit insurance is dependent under the provisions of the amendment.

In the last year Vietnam has made substantial and consistent progress in fulfilling its commitments under the ROVR agreement, which provides for resettlement

in the United States of eligible Vietnamese who had returned to Vietnam from refugee camps in the region. Processing of eligible cases accelerated dramatically in 1998 to the point that the program is almost at completion. Last year at this time the government of Vietnam had cleared about 78 percent of ROVR applicants for interview. As of the beginning of this month, 19,975, or 96 percent, had been cleared. INS has approved 15,833 of these for admission to the U.S. as refugees, most of whom have already left for the United States.

Last May Vietnam had taken no action on 1353 ROVR cases; as of this June, that number was reduced to 79. Similarly the number of cases denied clearance by the Vietnamese government has fallen from 776 last May to 422 this June. Most of these were cases in which addresses for the applicant were incorrect or the eligible individuals failed to attend a clearance interview. Once we provided the Vietnamese government with updated information, many of these cases were resolved. In fact, the main obstacle to ROVR processing at this point is not lack of cooperation by the government but rather failure of some cleared applicants to appear at our ODP (Overseas Departure Program) office for the INS interview.

Similarly the waiver has encouraged increased Vietnamese cooperation on the Orderly Departure Program (ODP) under which over 500,000 Vietnamese have emigrated as refugees or immigrants to the U.S. since the 1980s. As a result the Administration expects that it will complete processing of nearly all ODP caseloads, including ROVR, by the end of this fiscal year. The Vietnamese Government has made a commitment to achieve this goal for all U.S. refugee programs including ROVR and Montagnard cases. Since the waiver was extended last year, Vietnamese cooperation on the Montagnard cases has accelerated. 220 individuals have been cleared for interview; of these INS has approved 118 for resettlement in the United States. In 1996 our government suspended the ODP program for former U.S. government employees in Vietnam. The Vietnamese government has agreed to our recent request to resume that program. Finally, I would note that continued Vietnamese cooperation has enabled us to make progress on the so-called "HO" program for former re-education camp detainees.

Clearly Vietnam has made substantial and measurable progress in the area of emigration. Frankly, its record in the area of human rights is not as impressive. Vietnam continues to be a one-party state that tolerates no organized political opposition and denies or curtails many basic freedoms, such as freedom of the press or speech.

Human rights is and must continue to be on our bilateral agenda with Vietnam. The United States and Vietnam have established a regular, bilateral human rights dialogue in which general issues as well as specific cases are raised. The seventh session of that dialogue is about to be scheduled. I know that Ambassador Peterson repeatedly raises human rights issues with the highest levels of the Vietnamese government, and that Secretary Albright raised these issues with the Deputy Prime Minister when he was in Washington in December. I consistently raise human rights issues during my trips to Vietnam. These entreaties and the gradual improvement in our relations has had some positive results. In the last year some 24 prisoners of conscience were released in two amnesties. In addition liberalization continues to take place slowly by degrees.

There is no question that Vietnam is changing as its exposure to and interaction with other countries increases. Vietnamese enjoy more personal liberty than they ever had before; they own shops, have economic mobility, and speak to foreigners in most cases without fear. They have more access to information and foreign media and although the newspapers are "state papers," they are increasingly outspoken about corruption and governmental inefficiency. Vietnamese now have access to the Internet, although with some limitations. Vietnamese generally are free to practice their religion; in fact, participation in religious activities increased in the last year, even for some groups such as Buddhists and Catholics that have been the targets of government repression. On the labor front, there is no question that Vietnam's labor law and practice fall short of international standards. But the fact that last year, 60 organized strikes including strikes against state-owned enterprises were allowed to take place is a positive step. The Vietnamese government is now drafting legislation on freedom of association.

Some argue that the only way to change Vietnam's human rights record is to deny them the benefits of trade, force OPIC and EXIMBANK to close their doors, and freeze our relationship here and now. As one who has made more than a dozen trips to Vietnam over the last nine years and who has witnessed how this country has changed in such a short time period, I honestly believe that they are wrong. If we want to promote human rights and political change in Vietnam, we need to expand our contacts, not contract them, through all the tools at our disposal—trade, aid, exchange programs, participation in ASEAN and other regional and international

institutions. And we need to maintain the ability to discuss this issue at the highest levels of government. Vietnamese leaders know full well the importance that we place on human rights and that progress on this issue will be part of the context in which our relations develop.

Let me turn briefly to the economic relationship. Clearly Vietnam wants to normalize economic relations with the United States and to join the WTO. Without undertaking serious economic reforms, Vietnam can achieve neither. Over the past year I have had numerous conversations with high level Vietnamese leaders about the importance of undertaking these reforms, which are necessary for the development of Vietnam's economy and the conclusion of a bilateral trade agreement with us. Not surprisingly there is some reticence about taking such politically sensitive steps. Nevertheless, I believe that the Vietnamese leaders now understand that they have no choice if they want to modernize their economy. This is reflected in the fact that the negotiations for a US-Vietnam trade agreement have increased in pace and improved in substance.

If these negotiations are brought to a successful conclusion, Vietnam will be obligated to undertake major changes in its trade and investment regimes that will greatly benefit American companies by increasing their access to the Vietnamese market. The Jackson-Vanik waiver, which enables Eximbank and OPIC to continue operations in Vietnam, serves as an important incentive for Vietnam to take these steps and to stay on the economic reform course. If we remove that incentive, we run the risk of setting that process back as well as the ongoing negotiations for a bilateral trade agreement.

I know that the Subcommittee will hear testimony this morning from some who argue that Vietnam has not cooperated fully on the POW/MIA issue. Obviously I disagree, but let me repeat two important points that I made when I testified before the Subcommittee last year. First, during my many trips to Vietnam I have met with the American teams—teams composed of our military personnel—who work on this issue daily with the Vietnamese. Every one of these teams has indicated to me that Vietnamese cooperation has been outstanding. Second, to those who argue that Vietnam is withholding documents or even remains, I say if that is so, the only way you are going to find out is to continue the process and the policy we now have in place.

Mr. Chairman, I believe the record over the last few years clearly proves that our step by step approach to normalizing relations with Vietnam is working and is consonant with the many interests we have in that country and the region. Reversing that policy by disapproving the President's extension of the waiver will reduce our influence and threaten future progress on POW/MIA, emigration, human rights, economic reform and trade, and other interests I have not discussed, such as stemming the flow of illegal drugs. In short, it would do irreparable harm to our relationship and our interests not only in Vietnam but also in the region.

The decision to treat Vietnam as a country, rather than a war, was made when we normalized diplomatic relations in 1995. We cannot and should not turn the clock back now. The President made the right decision when he decided to extend the waiver for another year. Congress should let that decision stand.

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Chairman CRANE. Thank you, Senator Kerry.

Do we have any questions for Senator Kerry before he departs?

Mr. Neal.

Mr. NEAL. Mr. Chairman, as the junior Senator from Massachusetts, not only is he a terrific Senator, but he has special credibility I think on this issue. He has been a leader. He has never shirked once his responsibility. He has not been afraid of the criticism that he has run up against on this issue. But that is part, I think, of the challenge of leadership that John Kerry has demonstrated time and again. A great friend, and as I indicated before, a terrific U.S. Senator.

Senator KERRY. Thank you, very much.

Mr. LEVIN. Mr. Chairman. I don't really have any questions, maybe because I agree with the Senator. But I do think you not only have special credibility, but a sustained interest. It is really helpful. I do think we need this kind of discussion. I think it is very

healthy that we have it. We are here talking about an annual waiver. We are not discussing anything more than that. These issues will continue to be before us and the pressure will continue from a lot of us that there be continued progress. Where there is retrogression, we will speak out. I think your moving on beyond your special credibility has lended a lot to this discussion. On the House side, I think I speak for people maybe on both sides of this question or on all sides. We hope you will continue to find time to help us engage.

Senator KERRY. I thank you, Congressman. Let me just say I was over there earlier in the year and met with the key leaders, as I have tried to do each time I'm there. I have impressed on them as hard as I know how the concerns that my colleagues express, and in addition to that, the need for the economic reforms. I mean it is very clear that WTO membership and the conclusion of the trade agreement are dependent on the adoption of the sort of moving upward, as you mentioned earlier, that the President has cited.

I am happy to say that subsequent to those conversations we had, there has been significant progress. I think there has been a reengagement on the trade issue. That is the way I think we will raise a number of standards and ultimately meet our interests. So I intend to continue to do that.

I thank the Congressman for his comments.

Chairman CRANE. And we thank you, Senator Kerry, for your participation today and your ongoing participation and involvement. We regret your tight time constraints.

Senator KERRY. My apologies, Mr. Chairman.

Chairman CRANE. Well, we appreciate the fact that you made it.

Senator KERRY. Thank you for your courtesy, and I thank my colleagues for their courtesy.

Chairman CRANE. Thank you.

Our next witness then will be Congressman Dana Rohrabacher.

**STATEMENT OF HON. DANA ROHRABACHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. ROHRABACHER. I remember, before the Senator leaves, I remember the Senator——

Chairman CRANE. Senator Kerry.

Mr. ROHRABACHER [continuing]. I remember the Senator calling our Vietnamese counterparts across the table to task on the idea of how can you have Leninism when you don't have Marxism. What justification is there any more, calling them to task on their own philosophical inconsistencies. I remember that very well.

Thank you very much, Mr. Chairman. It has been 1 year since President Clinton issued the Jackson-Vanik waiver for Vietnam. The legislation I have sponsored, House Joint Resolution 58, disapproves of the extension of that waiver. During the past year, rather than open up its state-managed economy, the Vietnamese Communist regime has further tightened its grip on civil liberties, religion, and freedom of expression. There has been no move, I repeat, no move toward free and fair elections in Vietnam. We are not on the right road. We are not on any road at all when it comes to free and fair elections.

Nor has there been any move toward establishing an independent judicial system, no move in that direction. Instead of implementing honest economic reforms, Communist mismanagement, corruption, and the dominance of state-run firms have turned off most investors who only a short time ago were so optimistic about Vietnam. In fact, international businesspeople polled by the Hong Kong-based Political and Economic Risk Survey, rates Vietnam as the most stressful country in Asia for foreigners because of its stubborn bureaucracy. The survey noted a substantial exodus of expatriate investors who find doing business in Vietnam not worth the effort. A recent study, completed by the U.S. General Accounting Office at my request, concluded that because of Communist secrecy and corruption, there is no independent means to verify real economic and financial statistics in Vietnam or to effectively identify and resolve economic and financial problems.

The Jackson-Vanik provision was intended to be a tool for improving migration and human rights in Communist and fascist regimes. The President's Jackson-Vanik waiver enables U.S. companies to be eligible for U.S. tax-payer supported trade finance programs such as those provided by the Export-Import Bank and OPIC, the Overseas Private Investment Corp. That is the essence of what we are talking about today, whether or not those taxpayer-supported financing programs should be made available to American companies doing business in this dictatorship in Vietnam.

My cosponsorship of the resolution, and has been joined by Chris Smith and Loretta Sanchez, and these cosponsors will focus on the ongoing abuses and corruption that deny fair migration to Vietnamese and Montagnard people. The sponsor of the Senate version of this resolution, Bob Smith, will articulate the many problems that exist in obtaining the fullest accounting for American prisoners of war and those who are still missing in action. I would respectfully disagree with Senator Kerry. There has not been full cooperation in this area. A number of demands we made about records long ago, that I personally made in the presence of Senator Kerry, about the records of their prison system, for example, have not been made available to us.

My focus today will be on the repressive political and economic policies of the Vietnamese Communist leaders that make Vietnam and its dictatorship one of the worst investment risks in the world. It is outrageous to back ill-advised business ventures with American tax dollars. Again, that is what we are talking about when we have this waiver. We are opening up these subsidies and these guarantees by American taxpayer dollars to these companies.

Business investment should be made in democratic countries. Let these companies invest in the Philippines, for example, where they are struggling for democracy. If companies choose to invest in Vietnam or other dictatorships, they should do so at their own risk, not having their bets backed by American taxpayer guarantees and subsidies. There is no real evidence to support the claims that Vietnam is liberalizing. As I say, this is the reason that you are going to liberalize through this international investment and commercial investment in the country.

To the contrary, Vietnamese Communist leaders have issued new decrees that ban opposition within their party and continue their

ban on an independent media and dissent in Vietnam itself. Hanoi has continued to jam the broadcasts of Radio Free Asia and has arrested Vietnamese-Americans who attempt to bring prodemocracy literature into Vietnam. In the recent words of one of Vietnam's most famous dissidents, the Communist Party Politburo has "immersed the whole population in stagnancy, corruption, and poverty."

There are more reasons why investing in Communist Vietnam is bad for America and sets back democratic reforms, actually, setting back democratic reform, giving these leaders the idea they can continue these policies and still get these taxpayer guarantees for investment in their country. Since 1993, Hanoi has been pledged some \$13.1 billion in international development assistance, but the Communist backsliding on reforms have caused the donors to reconsider their future pledges.

Economic growth this year is predicted to be half of what it was in 1997. In May, the Vietnamese Communists' Prime Minister, Nguyen Tan Dung, said that Vietnam faced tough times ahead, with a gross national product expected to decline, while industrial output is at its lowest level in several years. He also spoke of an unhealthy situation in the financial and monetary systems, particularly Hanoi's international payment balance, debts to foreign borrowers, and a high amount of overdue debt.

Reuters News Agency recently reported that private industry in Vietnam is growing at an alarmingly low rate because of the country's firms, they are lacking in confidence to invest in business. Many private companies complain about high taxes and government policies that favor bloated state firms. Hanoi's leaders recently proclaimed that state-run industries would play "a leading role" in the economy. A 1998 World Bank report showed that the Vietnamese private sector amounted to less than 3 percent of industrial output.

What are we trying to subsidize these people for? They aren't even making the moves necessary for their own success. Corruption is rampant, on top of that. That is what happens when you don't have a free press and you only have a one-party system. You have corruption. Vietnam has received \$1.7 billion in low-interest loans from foreign donors last year, yet you have this corruption. This week, an Australian expert stated giving the Vietnamese government money to spend makes it easier for them to prop up state-supported industries and to slow down the liberalization process. Again, when we are talking about Export-Import Bank loans and such subsidies, that is what comes with the waiver we are talking about today.

I am enclosing for the record, and I would ask permission to enclose, this GAO report on Vietnam Economic Data for the record. Chairman CRANE. Without objection.

[The information follows:]

**U.S. General Accounting Office Report to Congressional Requesters**  
**June 1999 VIETNAM ECONOMIC DATA, Assessment of Availability and**  
**Quality, GAO/NSIAD-99-109, GAO/NSIAD-99-109**

U.S. GENERAL ACCOUNTING OFFICE  
 NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION  
 WASHINGTON, D.C. 20548  
*June 1, 1999*

The Honorable Dana Rohrabacher  
 The Honorable Zoe Lofgren  
*House of Representatives*

B-279772

The recent financial crisis in East Asia and the overall importance of the region to the United States has highlighted the need for reliable and timely economic and trade data on individual countries in the region. In recent years, the United States has taken several steps to normalize relations with Vietnam and is currently negotiating a long-term trade agreement with its government. You asked us to examine economic data on Vietnam, which has been experiencing considerable economic growth and development as it transitions from a centrally planned to a more market-based economy. To respond to your requests, we examined the availability, transparency, and quality of published economic and trade data on Vietnam.

#### RESULTS IN BRIEF

Vietnam has released data on a number of key economic indicators such as the gross domestic product (GDP), imports and exports, foreign investments, and growth rates. However, it has not made available some other important data on the economy. For example, it does not publish the state budget and does not provide standard financial information used by the International Monetary Fund (IMF) for its monthly *International Financial Statistics* (IFS) publication. Virtually all countries in the world, including transitional economies and the poorest countries, publish their country pages in the IFS.

When data is available, it is highly aggregated and difficult to interpret because the data collection, analysis, and reporting methods used to produce it are not transparent or readily available to users. While the quality of the data has improved in recent years, published indicators such as GDP contain weaknesses because they do not include important components of the economy. For example, small businesses, the service sector, and remittances from overseas are underreported, while growth and foreign investment estimates may be overestimated. Without more accurate data, it is difficult to effectively evaluate economic conditions in Vietnam and identify economic and financial problems that may be occurring. Several international agencies, such as the IMF and the World Bank, have recognized that data deficiencies exist and are currently providing technical and financial assistance to the Vietnamese government to help it improve the availability and quality of its data.

#### BACKGROUND

Data on Vietnam's economy and trade originates primarily from the General Statistical Office (GSO), a Vietnamese government agency. Other agencies such as the Ministry of Industry and the State Bank of Vietnam also provide some data. The GSO publishes monthly and annual reports on the economy and population that include information on the labor force, GDP, foreign investment, industrial sectors, retail sales, prices, and inflation rates, among others.

The IMF, the World Bank, and the United Nations also publish economic and trade data on Vietnam, but as a standard practice they rely primarily on the government for much of the information. The IMF has a permanent representative in Vietnam who monitors economic conditions, and the Fund periodically sends missions to Vietnam to collect additional information and provide technical assistance. As it does with most other countries, the IMF summarizes Vietnam's economic and financial condition in periodic staff reports that are available to the public and generates confidential studies that examine specific topics such as banking.

For its part, the World Bank publishes the *World Development Indicators* (WDI) in collaboration with 26 other public and private agencies, including the IMF, the International Labour Organization, the United Nations, the World Trade Organization, Moody's Investors Service, Price Waterhouse, and Standard and Poor's Rating Services. The 1998 WDI includes a broad range of economic, population, and envi-

ronmental data on 210 countries from 1960 to 1996. The United Nations publishes *National Accounts Statistics* on different countries, including Vietnam, each year. The United Nations Development Programme (UNDP) also issues a number of reports and evaluations of poverty and economic conditions in Vietnam. There are other publications with a narrower focus, such as the IMF's *Direction of Trade Statistics Yearbook* and the United Nations' *Monthly Bulletin of Statistics*.

U. S. agencies such as the Departments of Treasury, Commerce, and State and the Trade and Development Agency rely mainly on international agencies for data on Vietnam's economy. However, several U. S. federal agencies jointly publish an annual report on Vietnam, the *Country Commercial Guide*, written by an in-country expert. The Department of Commerce also releases data on bilateral trade between the United States and its trading partners, including Vietnam. The United Nations publishes similar bilateral trade data reported by member states.

Several economic magazines and journals also provide economic and trade data on Vietnam. The *Vietnam Business Journal*, for example, publishes indicators of Vietnam's economy, foreign investment, imports, and exports, using the government and international agencies as its sources. The Economist Intelligence Unit Ltd., also issues quarterly reports on the Vietnamese economy and covers major economic and trade indicators. It pools data from various sources, including its own estimates.

#### GAPS IN AVAILABILITY OF DATA

Although the government does publish many key economic indicators, there are major gaps. For example, by law, Vietnam's state budget is classified as a secret document and therefore cannot be made available to the public. Under much pressure from international agencies and donors, in 1998 top government officials indicated they would release the budget, but as of March 1999, they had not yet done so. The government includes some estimates of the budget in its aggregate economic indicators, but it does not provide a breakdown of the data, making it difficult to determine specific allocations. In addition, although the GSO did publish aggregate budget figures in its 1994 Statistical Yearbook, it did not do so in 1996.

State-owned enterprises (SOE) are a key component of the budget and of the country's overall economy. The government has traditionally granted SOEs special advantages over other businesses through greater access to credit, control over markets, and other forms of indirect support. The IMF has reported that SOEs may account for as much as 40 percent of Vietnam's GDP. However, the government releases very little information about how much it spends to support SOEs and their true financial conditions. Some donors have raised concerns about the financial viability of SOEs in Vietnam and have warned that without reliable information, financial problems may develop undetected.

Furthermore, the IMF's monthly IFS reports do not contain a country page for Vietnam because the government has not released certain key indicators and other needed statistics. Country pages generally include data on exchange rates, money, banking, interest rates, production, prices, foreign reserves, international trade, balance of payments, and government and national accounts. Virtually all countries in the world publish their country pages in the IFS. According to IMF officials, the Vietnamese government has not done so in part because for many years Vietnam used a national accounts system modeled after that of the former Soviet Union and different from international reporting standards (the 1993 System of National Accounts) advocated by the IMF, the United Nations, and the World Bank. Vietnam adopted these standards in the late 1980s but has not fully implemented the system and has not been willing to release some statistics.

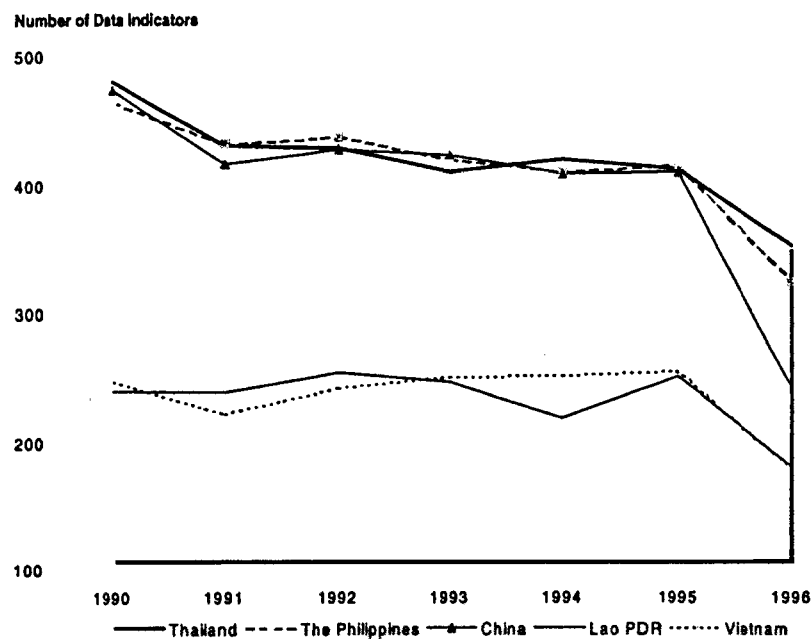
In 1998, the IMF said it was waiting for the government to approve publication of Vietnam's country page that the IMF had prepared. Neighboring Cambodia and Lao PDR, both of which have also transitioned from the Soviet accounting system, have published their country pages since April 1996. Rwanda and Ethiopia, which had the lowest per capita incomes in the world<sup>1</sup> (about a third of Vietnam's), have also been publishing their country pages.

The amount of information reported in the WDI provides another indication of a country's overall data availability. The WDI contains up to 526 series of data indicators for individual countries, covering economic and trade conditions as well as other demographic, environmental, and social indicators. Vietnam and Lao PDR, for example, provided data for only about 250 indicators between 1990 and 1995, while China, the Philippines, and Thailand provided over 400 indicators during the same period (fig. 1). In 1995, the median number of indicators available for the 63 countries that the WDI classified as low income was 322. Vietnam provided 256 indica-

<sup>1</sup> *Human Development Report*, UNDP, 1997.

tors for that year. Only 10 of the other low-income countries provided fewer indicators than Vietnam.<sup>2</sup>

**Figure 1: Available Data in the World Bank's World Development Indicators, 1998.**



**Note:** All four comparison countries are in the immediate vicinity of Vietnam. Thailand, the Philippines, and Vietnam are similar in population size. China, Lao PDR and Vietnam have changed from the Soviet to the System of National Accounts accounting system.

<sup>2</sup> Afghanistan, Bosnia-Herzegovina, Cambodia, Eritrea, Lao PDR, Liberia, Myanmar, Somalia, the Sudan, and Tajikistan.

## Appendix I

## Selected Economic Statistics on Vietnam

GDP, revenue, and expenditures in billions of Vietnamese dong Exports and imports in millions of dollars.

	General Statistical Office 1996 <sup>a</sup>	General Statistical Office 1994 <sup>b</sup>	International Monetary Fund 1998 <sup>c</sup>	International Monetary Fund 1996 <sup>d</sup>	International Monetary Fund 1997 <sup>e</sup>	United Nations 1998 <sup>f</sup>	World Bank 1998 <sup>g</sup>	Asian Development Bank 1998 <sup>h</sup>	Department Commerce of 1998 <sup>i</sup>
1992									
GDP nominal (current)	110,535	110,535	110,535	110,535			110,535		
GDP real (constant)	33,991	33,991	33,987	33,991			33,991		
Government revenue <sup>m</sup>		21,023	21,000	21,023					
Government expenditure		23,711	25,800	25,121					
Total imports, c.i.f. <sup>n</sup>	2,540	2,541	2,817	2,817	3,027	2,541	2,946		
Total exports, f.o.b. <sup>o</sup>	2,581	2,581	2,475	2,475	2,918	2,581	k		
1994									
GDP nominal (current)	170,258	170,258	170,258	170,258			170,258		170,258
GDP real (constant)	39,982	39,982	39,982	39,980			39,982		39,982
Government revenue <sup>m</sup>			42,100	41,440					38,299
Government expenditure			46,800	46,121					33,355
Total imports, c.i.f. <sup>n</sup>	5,826		5,827	5,827	5,826	5,826	6,514	5,826	
Total exports, f.o.b. <sup>o</sup>	4,054		4,054	4,054	4,054	4,054	k	4,054	
1996									
GDP nominal (current)	258,609		258,609				258,609		258,609
GDP real (constant)	47,888		47,888				47,888		
Government revenue <sup>m</sup>			60,900	62,000 <sup>p</sup>					59,960
Government expenditure			63,900	66,417 <sup>p</sup>					45,800
Total imports, c.i.f. <sup>n</sup>	11,144 <sup>f</sup>		11,644		13,668	11,144	12,870	11,144	11,000
Total exports, f.o.b. <sup>o</sup>	7,256 <sup>f</sup>		7,337		6,933	7,256	k	7,255	7,000

<sup>a</sup>Statistical Yearbook 1996.

<sup>b</sup>Statistical Yearbook 1994.

<sup>c</sup>Staff country report 98/30, April 1998.

<sup>d</sup>Staff country report 98/145, December 1998.

<sup>e</sup>Direction of Trade Statistics 1997.

<sup>f</sup>Department of Economic and Social Affairs, Statistics Division, Monthly Bulletin of Statistics, July 1998.

<sup>g</sup>World Development Indicators 1998.

<sup>h</sup>From <http://internotes.saiendevbank.org/notes/Vie/VEOTH.htm>.

<sup>i</sup>1998 Country Commercial Guide, U.S. embassy, Hanoi.

<sup>j</sup>Reported as missing.

<sup>k</sup>Reported as c.i.f.

<sup>l</sup>Estimated.

<sup>m</sup>Including grants.

<sup>n</sup>c.i.f.: cost, insurance, freight, that is, at the importer's custom frontier.

<sup>o</sup>f.o.b.: free on board, that is, at the exporter's customs frontier.

<sup>p</sup>Budgeted.

## TRANSPARENCY OF DATA COLLECTION AND REPORTING METHODS

If the accuracy and quality of published economic and trade data are to be properly assessed, the methods used by the sources of the data to collect, analyze, and present the data must be transparent. In other words, data transparency means that methods should be clearly defined and explained and made readily available to data users. Without such information, users cannot adequately determine the value and meaning of the published figures. For example, data can be very different depending on whether it is developed through expert opinion, sampling, or census. If an agency relies on other agencies for data, it is also important that it disclose the sources and methods it uses to review and revise the data.

In the case of Vietnam, information on data collection and reporting methods generally is either missing or unclear. The GSO does not publish the methods used to collect and process economic and financial figures and does not identify potential data limitations or gaps. International agencies that re-publish the GSO's figures in their reports also do not disclose the methods they use to evaluate or revise the data. This process is consistent with how these agencies report data for other countries. Most tables we reviewed cited their sources as the GSO or another Vietnamese agency and staff estimates. But the methods used to produce these staff estimates were not specified. We also found that even when staff estimates were cited, the published data often did not differ from the original GSO figure. However, the IMF recently reported estimates that differed from those published by the GSO.

The *Country Commercial Guide* primarily cited unofficial estimates as its sources, without reporting the data collection methods used, but its figures matched those we found in GSO publications.

## QUALITY OF AVAILABLE DATA

Although many of the published figures from the GSO, IMF, the World Bank, and the Asian Development Bank corresponded with each other, one should not interpret this to mean that they are valid or correct, but simply that they came from the same source the Vietnamese government (see app. I).

According to international agency officials and other experts, the quality of available data on Vietnam has improved in recent years. They all agreed, however, that data on many key indicators such as GDP, growth rate, and foreign investments still contained several weaknesses. In a June 1998 assessment of economic conditions in Vietnam, the UNDP concluded that Vietnam "is in the midst of an *information crisis* which needs to be urgently redressed to avert financial crisis<sup>3</sup> and advocated more reliable data on the banking and corporate sectors in particular. Most banks are partially or wholly state owned, and information on their debt levels, loan portfolios, and investments is not available in sufficient detail or is of questionable reliability. Some international agency officials, for example, have raised concerns that these banks have made many large loans to SOEs whose assets are largely overstated. The IMF has indicated that the banking sector in Vietnam is in worse condition than what the official data shows. Moody's has also cited weaknesses with the banking system and considerable uncertainty [arising] from the lack of transparency in the reporting of official foreign exchange reserves as key factors in giving Vietnam a low-credit rating.<sup>4</sup>

Vietnam does not effectively measure certain components of the economy in its calculations of GDP, which is a measure of the total output of a country's goods and services. For example, GDP figures do not accurately reflect the large informal economy, small businesses, telecommunications, or the service sector. Similarly, official trade estimates do not include illegal smuggling of consumer goods, which has been estimated to account for a significant portion of the economy, according to IMF and other international agency officials. A State Department official also noted that this reporting problem occurs in other developing countries.

Other indicators reported by the government, on the other hand, may be overestimated. For example, the government announced that the economy grew at a rate of 5.8 percent in 1998, but IMF officials made their own in-country assessment and estimated a growth rate of between 3 and 4 percent. The government also reported \$1.9 billion in disbursements of foreign direct investments in 1998, but the IMF estimated only \$600 million, and Moody's estimated \$800 million. According to a State Department official, Vietnam counts the value of land it contributes to joint business ventures as part of a foreign direct investment. The IMF does not. This may

<sup>3</sup>East Asia: From Miracle to Crisis, Lessons for Viet Nam, UNDP Viet Nam, 1998. Italics in the original.

<sup>4</sup>Global Credit Research: Vietnam, Moody's Investors Service, 1999.

account for part of the discrepancy between official and independent estimates. It also illustrates the importance of transparency in data collection and reporting methods.

There are also a number of unexplained differences between reports published by different international agencies and even between those published by the same agency. One example is the average employment (the average number of employees per enterprise) in the private sector, an important component of Vietnam's economy in terms of growth and development. According to the 1996 IMF staff report, average employment between 1992 and 1995 was between 7.4 and 5.1 employees. In another IMF staff report 16 months later, the average employment for the same period was reported as between 1.8 and 1.2 employees. It is not clear why a 1992 figure was revised in 1998, but agency officials noted that there are often long delays and frequent adjustments of prior data by Vietnamese government sources. The data series cited its sources as the GSO and staff estimates.

International agencies have various efforts underway to help Vietnam with its data collection and reporting. The Asian Development Bank is developing a project to assist Vietnam in preparing its state budget and calculating GDP. The IMF has also been helping Vietnam develop its IFS country page. This aid has included providing preliminary analytical tables necessary for completing the country page in accordance with IMF methodology. Other ongoing assistance is geared mainly toward the collection of social and demographic data. Further monitoring will be needed to determine whether these efforts are effective in improving the quality of data.

In the late 1990s, the IMF developed and issued two sets of standards for data production and dissemination by its member states. The key objectives of one set of standards (known as the General Data Dissemination System) are to improve data quality; provide a framework for evaluating needs and setting priorities for data improvement; and guide countries in the provision of comprehensive, timely, accessible, and reliable economic, financial, and sociodemographic statistics. A more detailed set of standards (the Special Data Dissemination Standard) focuses on specific elements of data quality. A number of countries in East Asia, including the Philippines and Thailand, have voluntarily subscribed to the Special Data Dissemination Standard, but Vietnam and none of the poorest developing countries receiving loans from the World Bank's International Development Agency have subscribed to this standard.

#### AGENCY COMMENTS AND OUR EVALUATION

We sent a draft of this report to the Departments of Treasury and State and to the Central Intelligence Agency (CIA). Treasury and the CIA indicated that they had no comments. The Department of State provided oral comments. Generally, State concurred with our overall findings and conclusions. It also provided some technical comments, which we incorporated where appropriate.

#### SCOPE AND METHODOLOGY

To assess the availability, transparency, and quality of published economic and trade data on Vietnam, we met with officials from a number of U. S. and international agencies, including the Departments of Commerce, State, and the Treasury, the Trade and Development Agency, the CIA, the IMF, the World Bank, the United Nations Statistics Division, and the UNDP. We conducted a literature search and contacted researchers in the field. In addition, we contacted the Embassy of Vietnam in Washington, D. C., and the U. S. Embassy in Hanoi.

We requested information on the methods agencies use to evaluate data and on the strengths and limitations of the data. We also compared data from different sources and from different time periods, concentrating on 1992, 1994, and 1996. Although we did not conduct a systematic comparison of Vietnam's data with that of other countries, we did make some comparisons with readily available data in the WDI.

We did not travel to Vietnam, although we did meet with a Vietnamese embassy counselor in Washington, D.C. We limited the documentation for this report to non-classified information. In addition, we did not address perspectives from the business community regarding the availability and quality of Vietnam's economic data.

We performed our review from March 1998 to March 1999 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Honorable Madeleine K. Albright, Secretary of State; the Honorable Robert E. Rubin, Secretary of Treasury; the Honorable William M. Daley, Secretary of Commerce; and appropriate congressional committees. Copies will also be made available to others upon request.

Please contact me at (202) 512-3092 if you or your staff have any questions or would like additional information. Major contributors to this report were John Oppenheim, L Xun Hy, and Stan Kostyla.

KWAI-CHEUNG CHAN  
*Director, Special Studies and Evaluations*

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Mr. ROHRBACHER. The report underscores that Vietnam is one of the only countries in the world where discussing or publishing economic figures is a crime, punishable by prison or labor camp confinement. We cannot have normal or free trade relations with a country that refuses to disclose its basic financial and trade statistics.

Mr. Chairman, the resolution I introduced, disapproving the Jackson-Vanik waiver for the Vietnamese dictatorship, does not intend to isolate Vietnam, nor stop U.S. companies from doing business in Vietnam. We can do that—they can do that anyway. They can go sell American products over there. However, if private banks or insurance companies will not back up or insure private business ventures in Vietnam, American taxpayers should not be asked to recklessly do so. Instead, my resolution sends a strong message to the Hanoi regime that the United States will stand by our democratic principles. Those were the principles that we have the Jackson-Vanik regulations for in the first place. We shouldn't ignore those principles that helped democratize the Soviet Union.

The Vietnamese Communists have manipulated American and international generosity to further impoverish and repress their own people. I ask my colleagues to suspend the President's waiver for the coming year, and support my resolution of disapproval.

Thank you.

[The prepared statement follows:]

**Statement of Hon. Dana Rohrabacher, a Representative in Congress from the State of California**

It has been one year since President Clinton issued a Jackson-Vanik waiver for Vietnam. The legislation I have sponsored, House Joint Resolution 58, disapproves of the extension of that waiver.

During the past year, rather than open up its state-managed economy, the Vietnamese communist regime has further tightened its grip on civil liberties, religion and free expression. There has been no move toward free or fair elections in Vietnam, nor has there been any move toward establishing an independent judicial system. Instead of implementing honest economic reforms, communist mismanagement, corruption and the dominance of state-run firms have turned off most investors, who only a short time ago were so optimistic.

In fact, international business people polled by the Hong Kong-based Political and Economic Risk Survey rates Vietnam as the most stressful country in Asia for foreigners because of its stubborn bureaucracy. The Survey noted a substantial exodus of expatriate investors who find doing business in Vietnam not worth the effort.

A recent study completed by the U.S. General Accounting Office, at my requests, concluded that because of communist secrecy and corruption, there is no independent means to verify real economic and financial statistics in Vietnam, or to effectively identify and resolve economic and financial problems.

The Jackson-Vanik provision was intended to be a tool for improving migration and human rights in communist or fascist regimes. The President's Jackson-Vanik waiver enables U.S. companies to be eligible for U.S. taxpayer-supported trade financing programs such as Export-Import Bank and OPIC. My co-sponsors of the resolution, Chris Smith and Loretta Sanchez, will focus on the ongoing abuses and corruption that deny fair migration of Vietnamese and montagnard people. The sponsor of the Senate version of this resolution, Senator Bob Smith, will articulate

the many problems that exist in obtaining the fullest possible accounting for American prisoners of war and those who are still missing in action.

My focus will be on the repressive political and economic policies of the Vietnamese communist leaders that makes Vietnam a dictatorship and one of the worst investment risks in the world. It is outrageous to back ill-advised business ventures with American tax dollars. Business investments should be made in democratic countries. If companies choose to invest in Vietnam, they should do so at their own risk, not having their bets backed by taxpayer guarantees and subsidies.

There is no real evidence to support claims that Vietnam is liberalizing through international aid and commercial investment. To the contrary, Vietnamese communist leaders have issued new decrees that ban opposition parties, independent media and dissent within the Communist Party.

Hanoi has continued to jam the broadcasts of Radio Free Asia and has arrested Vietnamese Americans who attempted to bring pro-democracy literature into Vietnam. In the recent words of one of Vietnam's most famous dissidents, the Communist Politburo has "immersed the whole population in stagnancy, corruption and poverty..."

Here are more reasons why investing in communist Vietnam is a bad for America and sets back democratic and economic reform:

- Since 1993, Hanoi has been pledged some 13.1 billion in international development assistance but the communists' backsliding on reforms have caused donors to considering conditioning future pledges. Economic growth this year is predicted to be half of what it was in 1997.

- In May, Vietnamese communist Deputy Prime Minister Win Tan Dung said that Vietnam faced tough times ahead, with the gross domestic product expected to continue declining, while the industrial output is at its lowest level in several years. He also spoke of an unhealthy situation in the financial and monetary system, particularly Hanoi's international payment balance, debts to foreign borrowers and a high amount of over-due debt.

- Reuters news agency recently reported that private industry in Vietnam is growing at an "alarmingly low rate" because the country's firms lack confidence to invest in their business. Many private companies complain about high taxes and government policies that favor bloated state firms.

- Hanoi leaders recently proclaimed that state-run industries would play a "leading role" in the economy. A 1998 World Bank report showed the Vietnamese private sector accounted for less than 3 percent of industrial output.

- Corruption is rampant. Vietnam received \$1.7 billion in low-interest loans from foreign donors last year. This week, an Australian expert stated, "Giving the Vietnam Government money to spend, makes it easier for them to prop up state-supported industries and to slow down the liberalization process."

- I am enclosing for the record of this hearing the GAO report, Vietnam Economic Data: Assessment of Availability and Quality." The report underscores that Vietnam is one of the only countries in the world where discussing or publishing economic figures is a crime, punishable by prison or labor camp confinement. We cannot have "normal" or "free" trade relations with a country that refuses to disclose its basic financial and trade statistics.

Mr. Chairman, the resolution I introduced, disapproving of the Jackson-Vanik waiver for the Vietnamese dictatorship, does not intend to isolate Vietnam or stop U.S. companies from doing business in Vietnam. However, if private banks or insurance companies will not back-up or insure private business ventures in Vietnam, American taxpayers should not be asked to recklessly do so. Instead, my resolution sends a strong message to the Hanoi regime that the United States will stand by our democratic principles.

The Vietnamese Communists have manipulated American and international generosity to further impoverish and repress their people. I ask my colleagues to suspend the President's waiver for the coming year and support my resolution of disapproval.

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Chairman CRANE. Thank you, Mr. Rohrabacher.

**STATEMENT OF HON. EARL BLUMENAUER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON**

Mr. BLUMENAUER. Thank you, Mr. Chairman. I appreciate the opportunity to join you once again. Although I respect my colleague

from California, I couldn't disagree more with his assessment. This is not about reckless investment policies on the part of organizations like OPIC. What we are talking about is an attempt to be realistic in terms of dealing with Vietnam and our relationship with that country. Although I sort of smile as I think about some of the situations that have occurred in Singapore, where people have been imprisoned for revealing economic data that would be very simply accepted here in the United States. I think about some of the situations that are occurring in Malaysia and Singapore where despite some of our best interests, there are things in the political arena that we wouldn't feel very comfortable with. Reading the Straits Times is not exactly my version of a free press. But I do think that for us to be realistic about how we are going to promote our values, our goals and economic, not just economic prosperity, but in terms of human relations, we need to take a step back, take a deep breath. I respectfully suggest that rejecting this resolution of disapproval is a step in the right direction.

Last year on the eve of the Jackson-Vanik waiver vote, I received a call from my daughter who was traveling in Vietnam, a college student visiting her brother over there, who was struck by the kindness of the Vietnamese people, who was amazed at the energy and vitality that she witnessed, and who was learning more about the tragic history of the relations between our two countries, and was amazed at how positive the attitudes and feelings were. I went from that conversation with a college junior to the floor of the House, and heard people who were really describing two different worlds. I feel like some people are frozen in amber in terms of what happened a generation ago.

I feel that we have an opportunity here to try and repair not just economic opportunities for a significant and growing country, but to deal with a tragic period of the history of both our countries. On the known terms for evaluating the Jackson-Vanik waiver, it should, in fact, be extended. Senator Kerry made that reference I thought, eloquent and well. We have, in fact, made progress in each of these areas. I know our friend, former Member Pete Peterson, the Ambassador is going to be able to document that. I have been struck in the conversations with him with the work that he has been able to do. We are on the verge of approving a trade agreement that will open up even more opportunities between the two countries and accelerate the progress even further.

There are problems that occur, that continue, no doubt about it. But opportunities on things like human rights, transparency of economic activities, where we can make more progress. The Jackson-Vanik waiver, in continuing this process, is going to allow us to make more progress, not less. The United States, frankly, has made a history of much of the last half century, of making the wrong judgments on Vietnam. We were on the wrong side of history in terms of the colonial struggle. We ended up making an enemy that we didn't have to make, and we paid a tragic price for it.

Today, Vietnam is changing rapidly. An overwhelming majority of the people in Vietnam weren't even alive during the Vietnam war. A transfer of power is taking place slowly with the new generation. It has a transformational effect. Disallowing the waiver

will not give us more leverage. It will not make it easier for Ambassador Peterson to make progress. It will not hasten democratic behavior. I think the record is clear that we have made more progress in documenting what happened to our missing in action in Vietnam than any other war in our history, not just the progress that we have made here. The record I think is clear and it is because of the hard work of people like Senator Kerry and Ambassador Peterson, and to somehow ignore that, to try and go back, making that way harder, is going to set that back.

If we want to put an end to the practices of child labor, which are not simple in developing countries, which can make the difference sometimes between a family being able to survive or not, to be able to promote economic interchange between those countries will hasten the end of child labor and make it easier to make those transitions, give us more levers in which to work.

I think this resolution presents a major opportunity to either accelerate the repositioning and redefinition of our relationship or to take a step back. I personally hope that we will reject this resolution, that we will support the extension of the waiver, and that your Subcommittee will continue the important work of providing a framework for this to occur.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you, Mr. Blumenauer.

Mr. Levin.

Mr. LEVIN. Well, it is useful to have the two of you here and present very different perspectives. Maybe the best thing is now to hear from the Ambassador. I don't know if you have time to stay, you probably have to go onto other matters. I do, in this debate, hope that we can have some challenging discussion about each other's arguments. For example, in terms of OPIC and Ex-Im, I think we should understand that we don't quite guarantee the results here that we eliminate risk. There is still considerable risk, even with OPIC and Ex-Im. It isn't as if the taxpayers are assuming all the risk. I think you know that.

Mr. ROHRBACHER. But what we are doing is assuming a large portion of the risk. My point is this. When you are talking about dictatorships, and I don't care if it's Vietnam or China or elsewhere, why are we encouraging businesses by assuming some of the risk or subsidizing the interest rates that they have to get for loans to do business in these countries? Why are we encouraging businesses to do that when we have the Philippines and other countries struggling to be democratic societies and we're encouraging them? That way, they don't—we're actually directing the flow of capital investment into the dictatorship, and by the way, away from our country. That makes no sense.

Mr. LEVIN. As you know, I am kind of hardnosed about the conditions that we should insist on in these negotiations. I have a broader view than some. I think we should drive a hard bargain mainly because of the impact on our own economy, but also because we are trying to move or help move these countries toward free markets, both capital and labor. We are trying to move them toward a rule of law. The question becomes how do we most effectively do that? I don't think the line can be a strict one, if they are a state economy, we don't engage them. Because the whole purpose is to move

them away from it. It is a matter of judgment. My only point is I think we need to look hard at the facts and kind of avoid the kind of automatic choosing up of sides here, and make a considered judgment whether to involve ourselves will reach our objectives. I can understand there are differences.

Mr. ROHRABACHER. The reason Jackson-Vanik is part of the law is because we were faced with a similar challenge in the past generation or 20 years ago. We had to face the Soviet Union, which was of course a major hostile, totalitarian power. The reason there is a Jackson-Vanik restriction is because we realized that by waiving that restriction, the Soviet Union would not become more democratic. Congress put this in place because of the very principle, as you make a standard, and then these dictatorships will move toward the standard if you have that present.

What we are telling the Vietnamese, we are going to waive the standard even though you are not complying. We moved the Soviet Union toward democracy, not by giving most-favored-nation status, but by denying these type of loans from Export-Import Bank and OPIC and others.

Mr. LEVIN. I will finish. True there are some on this panel who were never in favor of Jackson-Vanik and would have abolished it immediately. I think it served a useful purpose. But the question is whether Vietnam today is the Soviet Union of 30 years ago, and whether an annual waiver here, we're talking about an annual waiver, might be a useful instrument to help move that country toward free capital and labor markets, and toward a rule of law. There can be differing and are different judgments, but I think that is the framework we ought to have that discussion within.

Mr. BLUMENAUER. If I may, OPIC is not about reckless investments. They have not lost any taxpayer money. The portfolio is managed to turn a profit, and people are assuming risks themselves when they go there.

Mr. LEVIN. They clearly are. I support it. We'll carry on this debate on the floor. But you have helped to kick it off.

I think the Ambassador, Mr. Chairman, is now raring to go, our former colleague. So maybe with deference to our distinguished colleagues from Oregon and California, we can call on our former colleague.

Chairman CRANE. Well, just a moment.

Mr. Rangel, do you have any questions?

Mr. RANGEL. No, Mr. Chairman. Thank you, my colleagues. I regret that saving Social Security prevented me from being here, but thank you.

Chairman CRANE. Well, we thank you both for your testimony and appreciate your appearance today.

Our next witness is Hon. Douglas Pete Peterson, U.S. Ambassador to Vietnam, and a former colleague.

Proceed when ready, Pete.

**STATEMENT OF HON. DOUGLAS "PETE" PETERSON, U.S. AM-  
BASSADOR TO VIETNAM; AND FORMER MEMBER OF  
CONGRESS**

Ambassador PETERSON. Thank you very much, Mr. Chairman, distinguished Members of the Subcommittee, my very good friends. Good to see you again.

I appreciate very much the opportunity to return to discuss the President's provision to waive Jackson-Vanik for Vietnam for 1 additional year. Last year I told you that our engagement policy in Vietnam was working, and had in fact produced major progress on U.S. top priority goals, policy goals for Vietnam. This year too has been marked with significant progress. In the MIA search efforts, in the freedom of emigration, of which this is all about, over the improved respect for human rights, which I will speak a little bit more about later, and certainly, in promoting regional stability, and without a doubt has helped to open up the markets of Vietnam.

The Jackson-Vanik waiver remains an essential element in our policy of engagement. Without it, it takes away the very tools that I need to work with Vietnamese to reach the very policy goals that I have referred to. I am confident that the extension of Jackson-Vanik will further advance the national interests of the United States in Vietnam.

In June of last year, frankly, we had very little evidence to judge the impact of Jackson-Vanik renewal because we just had too short a track record. In fact, most of our comments were based on hopes rather than on pure evidence. This year, though, I can bring to you clear evidence, and without reservation say that the Jackson-Vanik waiver has resulted in positive progress in every way. Certainly, it has promoted greater freedom of emigration, and all of the details are in the testimony of which I have submitted for the record. I refer that to you for greater detail.

It has helped move the MIA cooperation to a level of what I now refer to as a partnership, a significant partnership, given the fact that we are on a two-way street. We are helping the Vietnamese determine the losses that they sustained, up to 300,000 MIAs in this case. It has helped open the markets by giving American business a level playingfield, if you will, in working in the very difficult, I might add, business environment in Vietnam.

The U.S. policy engagement with Vietnam has assisted our old—the Vietnamese to work the political and reform projects that have actually helped them to work to the integration of Vietnam into the family of nations. It has led, frankly, to the recent admission to Vietnam into APEC, the Asia Pacific Economic Cooperative, a very significant accomplishment, I might add. Though it may not solely have been a consequence of Jackson-Vanik, our engagement in Vietnam was a major party to that membership.

It must be noted too that we have observed some improvements in Vietnam's human rights performance, though the picture is still mixed, to be honest with you. The Vietnamese last year released over 7,000 prisoners, many of them, 24 persons of significant concern to us as a nation as persons of conscience. Mr. Que, Mr. Hoat, and Thich Do are among those. I might just parenthetically say Dr. Que, who still lives in Ho Chi Minh City, has recently released a

statement that said that he is in favor of our bilateral trade agreement and has also by virtue of that, suggested support of the Jackson-Vanik waiver as well.

I think too, according to my records and observation, there has been an improvement in religious freedom efforts as well. We will hopefully have Mr. Seiple and Mr. Freeman go out to Vietnam to talk human rights issues and religious rights issues in July.

The areas of emigration, though, which is what we are examining here today, there has been huge success. Five hundred thousand Vietnamese immigrated to the United States. Just last year, nearly 10,000 individuals had immigrant visas issued to come to the United States. We expect nearly 30,000 applicants for immigrant visas to come to us in the year 2000. We place great priority on the HO Program, the program for former reeducation camp detainees, and the ROVR Program, the Resettlement Opportunity for Vietnamese Returnees, the both of which have had significant success. In fact, I would say we are coming to a completion of those programs, though not to suggest that we're done with the refugee efforts in Vietnam.

I might add also that recently, the Vietnamese have agreed to open a program that we suspended having to do with former government employees. We have that program essentially ongoing at this moment.

Let me jump to the MIA issue. It remains our first priority and of great personal interest to me. The cooperation is indeed excellent. We have had three JFAs and new access to documents this year. We have repatriated six remains this year, and we have planned and have the potential to repatriate seven in July. We have had nine identifications and we have had significant progress on the no-further-pursuant cases, 598 cases of which the Vietnamese have reviewed for us, and have submitted us specific evidence on each of these cases of which we might very likely be able to close in the near future.

The worker rights, of which Mr. Levin had noted, is a special interest to all of us, but I want to reiterate a point that Senator Kerry made, having to do with the fact that we do have in Vietnam, Vietnam does have a strong worker rights law. The Vietnamese had 60 strikes last year in the various capacities, and not against just foreign institutions I might add.

The economic development in Vietnam is moving on very, very well. We are hoping that we will in fact be able to conclude a bilateral trade agreement this year. It's certainly not absolute, but the negotiators are in Washington this week trying to find solutions to some of the outstanding problems. There still are some issues that are very, very troublesome, but I hope that we will in fact be able to do that.

But our objective through an engagement policy is to create a prosperous Vietnam. Why? Certainly, because we want to sell American products to Vietnam. But to be honest with you, the major issue is to find a vehicle in which to ride over to the goals, the policy goals that the United States has having to do with the rule of law, the acceptance of greater standards, higher standards of human rights, the integration of Vietnam into the world commu-

nity, and the adoption of international standards throughout their whole society, and certainly to conclude our MIA Program.

Renewal of Jackson-Vanik now will continue the successful process of reconciliation that we have started. It will facilitate development of our now very solid relationship with Vietnam, and I am convinced that the Vietnamese are committed to further pursuit to a peaceful and constructive relationship with the community of nations. I would point out finally that the 1999 snapshot of Vietnam bears virtually no resemblance to the isolated, bankrupt, and highly controlled society of just a decade ago. Our relationship is continuing to become very complex, and with that complexity will bring obviously some disagreements, but we can work them out.

The policy of engagement and Jackson-Vanik being a part of that, and very important part of that engagement, will continue to bring us enormous success, a historical success, I might add. Our policy in Vietnam is exactly correct. We are exactly where we should be. We are doing the right thing in Vietnam finally. Renewal of Jackson-Vanik will take us to the next steps of our relationship. I strongly, as strongly words can express, ask your support for us to do the right thing. That is to renew Jackson-Vanik for Vietnam this next year.

Thank you very much.

[The prepared statement follows:]

**Statement of Hon. Douglas "Pete" Peterson, U.S. Ambassador to Vietnam;  
and Former Member of Congress**

Mr. Chairman, I would like to thank you for once again inviting me to consult with you about the President's decision to discuss Vietnam's Jackson-Vanik waiver for another year. Last year, I told you that U.S. engagement with Vietnam had produced progress on top-priority U.S. foreign policy goals in Vietnam. This year, too, has been marked by progress in the effort to account for our missing from the Vietnam War (MIA issue), freedom of emigration, improving respect for human rights, promoting regional stability and opening markets for U.S. business. Since it was first granted in March 1998, the Jackson-Vanik waiver has been an essential component of our policy of engagement and has directly furthered progress with Vietnam on these and other U.S. policy goals. I am confident that extension of the waiver this year will continue to advance U.S. national interests in Vietnam.

In June 1998, when we asked Congress to support the waiver, we had only a very short track record to judge the impact of the Jackson-Vanik waiver in achieving the results it was intended to achieve. We had more hopes than we had evidence. We promised then to review our achievements after one year. Now, a year later, clearer evidence is in, and overall our hopes have been well-rewarded. The results have been very positive. We have made good progress on emigration issues and expect imminent completion of a number of special refugee programs in Vietnam. The waiver, itself, has substantially promoted greater freedom of emigration from Vietnam, the primary objective of the Jackson-Vanik amendment. The waiver has helped the U.S. government influence Vietnam's progress toward an open, market-oriented economy. It has also benefited U.S. business by making available a number of U.S. government trade promotion and investment support programs that enhance their ability to compete in this potentially important market. At the same time, Vietnam has continued to work with us closely on the MIA issue where we are moving from cooperation to what we hope will be a partnership. The U.S. policy of engagement has built on Vietnam's own policy of political and economic reintegration with the rest of the world which led most recently to Vietnam's admission to the Asia Pacific Economic Cooperation (APEC) forum. We also have seen some improvements in Vietnam's human rights performance, although the picture there is still mixed.

President Clinton decided on June 3 to extend Vietnam's Jackson-Vanik waiver because he determined that doing so would substantially promote greater freedom of emigration in the future in Vietnam. He based this determination on the country's record of progress on emigration and on Vietnam's continued and intensified cooperation on U.S. refugee programs. Overall Vietnam's emigration policy has

opened considerably in the last decade and a half. As a consequence, over 500,000 Vietnamese have emigrated as refugees or immigrants to the United States under the Orderly Departure Program (ODP), and only a small number of refugee applications remain.

Thousands of Vietnamese have left Vietnam and gained admission to the United States under our immigration laws. In 1998, 9,742 immigrant visas were issued to Vietnamese under ODP. The Department of State expects that over 25,000 Vietnamese will apply for immigrant visas in this fiscal year and projects that number to rise to 30,000 in fiscal year (FY) 2000.

Understandably, greater scrutiny has been given to Vietnam's performance on those special refugee programs established by the United States as part of our humanitarian response to the consequences of the war including the program for Former Re-education Camp Detainees ("HO") and the Resettlement Opportunity for Vietnamese Returnees (ROVR). I am pleased to be able to inform you that Vietnam's cooperation has intensified in the last year, in large part as result of the Jackson-Vanik waiver. Consequently, we anticipate that we will complete processing of nearly all the current ODP caseloads, including ROVR, before the end of this fiscal year. Vietnam has pledged to take all necessary steps to meet this goal. Moreover, the Vietnamese government recently agreed to help implement our decision to resume the ODP program for former U.S. government employees that we suspended in 1996.

After getting off to a disappointing start, ROVR processing accelerated dramatically in 1998 and is nearly completed. As of June 1, 1999, the Government of Vietnam (GVN) had cleared for interview 19,975 individuals, or 96 percent of the ROVR applicants. By contrast, at this time last year, the GVN had cleared 78 percent of applicants. The Immigration and Naturalization Service (INS) has approved 15,833 ROVR applicants for admission to the United States as refugees, 14,715 of whom have departed Vietnam.

At the end of May 1998, the GVN had not yet taken action on 1,353 ROVR cases. By June 1 of this year, the GVN reduced that number to 79 cases. Likewise, progress has been made on cases initially denied clearance for interview by the GVN. As of May 1998, 776 cases were listed by the Vietnamese as having been denied clearance for interview. Most were denied because of incorrect addresses or the failure of individuals eligible for ROVR to attend a clearance interview. ODP provided updated information to the GVN, and as result, many denials were reversed and the number of cases denied clearance fell to 422 cases by the beginning of this month.

ODP has given particular attention to completion of the HO program for applicants detained for at least three years in a re-education camp because of their association with the USG. As of the end of May, there were only 287 HO cases involving 1,480 individuals who had not yet been interviewed by the INS. A sub-group of the HO program consists of applicants covered by the "McCain amendment," which includes eligible sons and daughters of former re-education camp detainees who were approved for entry into the United States as refugees before April 1, 1995. At the end of May, there were only 558 cases remaining. The primary obstacle to processing the remaining HO and McCain Amendment case loads is failure of the applicants to apply to the GVN for exit permission, a factor beyond the control of either the Vietnamese or the U.S. governments.

As these programs draw to a close, U.S. officials will work closely with the Vietnamese to ensure that all interested applicants have the opportunity to be interviewed, and if qualified, emigrate to the United States. Completion of ODP and ROVR programs will not mean the end of U.S. refugee processing in Vietnam. We are designing a new program to address the rescue needs of individuals who have suffered recent persecution on account of race, religion, nationality, membership of a particular social group, or political opinion. In sum, I expect Vietnam's cooperation on immigration will continue and be reinforced with the extension of the Jackson-Vanik waiver.

Whenever consideration is given to taking any action with respect to the normalization of our bilateral relationship with Vietnam, we must review progress on obtaining the "fullest possible accounting" for our missing from the Vietnam War. This remains our highest priority with Vietnam, one of great personal interest to me. Here, I am pleased to be able to say Vietnam's cooperation on obtaining the fullest possible accounting of our missing from the Vietnam war continues to be excellent. As a result, the President once again issued, on February 3, a determination that Vietnam is "fully cooperating in good faith with the United States." Since the President made his annual review for this determination, the United States and Vietnam have conducted three Joint Field Activities; we have repatriated six remains and identified remains of nine individuals representing eight cases; and Vietnamese

teams have provided reports regarding their unilateral investigations of 38 cases. In addition, the Vietnamese recently provided 12 documents in two separate turn-overs to support a U.S. study of Vietnam's collection and repatriation of American remains. Also, since December 1, 1998, Vietnam has identified eight witnesses for participation in future trilateral investigations in Laos.

The Administration remains very concerned about Vietnam's performance on human rights. Vietnam continues to deny or curtail basic freedoms to its citizens. The government maintains an autocratic one-party state that tolerates no organized opposition. A number of people remain in jail or under house arrest for the peaceful expression of their political or religious views. And, the country's labor practices fall short of international standards.

Nonetheless, we have seen some improvements which we believe can be attributed to deepening U.S. engagement with Vietnam as well as to Vietnam's increased contact with the outside world. In recent years, increased citizen-to-citizen contacts through the media, internet, trade and investment, travel and cultural and educational exchanges have exposed the Vietnamese people to international standards and values.

Let me tell you about several important gains that have been made. Last fall, as part of two large amnesties of prisoners, the GVN released a number of prisoners of conscience, including several leading dissidents such as Doan Viet Hoat, Nguyen Dan Que and Thich Quang Do.

The conditions for individual religious observance also have improved recently. Worshipers associated with officially-recognized sects practice their religion with few restrictions. Places of worship are being repaired and renovated, often with funding from abroad. Attendance at regularly scheduled and holiday services is high and in many cases growing. However, restrictions on religious institutions themselves remain in place, including on clerical appointments, seminary activity and transfers of clergy.

Vietnam also is making progress in the area of worker rights. In 1998, 60 independently organized strikes protesting unfair wages and working conditions occurred. That these strikes were unofficially supported at local and provincial levels by the Vietnamese General Confederation of Labor, the party-dominated umbrella labor organization, suggests perceptible progress in the regime's attitude toward independent worker activities. The GVN is currently drafting legislation on freedom of association. Improvements are also being made in collective bargaining. Multi-year contracts are increasingly being negotiated. And, labor leaders are more responsive to worker concerns in selecting the issues to address in contracts.

We have both ongoing and regularly scheduled dialogues with Vietnam on the issue of human rights. These discussions offer a constructive forum where the U.S. government can inform Vietnam of U.S. views and concerns and to press for progress. The next human rights dialogue is scheduled for July 12-14. We will raise freedom of speech, association and religion, Vietnam's administrative detention decree, prison conditions, labor rights, information on former prisoners of conscience, as well as specific detention cases of concern.

Between rounds, the pressure on the Vietnamese does not abate. My staff and I, as well as State Department officials here in Washington, raise human rights concerns at every opportunity and at the highest levels. Secretary Albright discussed human rights with Vietnamese Deputy Prime Minister and Foreign Minister Nguyen Manh Cam when he met with her last October. Ambassador for Religious Affairs Robert Seiple plans to visit Vietnam next month. The objective of all of these encounters is to engage the Vietnamese and persuade them to make positive changes. The more we engage, the greater opportunity we have to urge greater respect for human rights.

Vietnam faces many serious economic issues as it enters the 21st century, ones with significant social and political ramifications. It must cope with globalization by integrating into the regional and world economy. It must promote development of the private sector to increase economic productivity and sufficient growth to meet the aspirations of a young and growing population. It must develop a transparent, predictable business climate based on the rule of law. And it must complete the transition from a centrally planned to a market economy. The Vietnamese leadership has recognized the need to pursue these goals, and gradually, progress is being made.

U.S. business still finds Vietnam a tough place to operate. Reform has not progressed at the pace that many had hoped. Nonetheless, U.S. businesses continue to view this nation of nearly 78 million as an important, potentially lucrative market. They believe that the U.S. government has an important role to play in encouraging the GVN to accelerate and broaden its program of economic reform. For business too, the answer is engagement not isolation.

Bilateral trade negotiations and WTO accession provide additional leverage, holding out the prospect of normal trade relations. These processes provide us with the opportunity to obtain from the Vietnamese commitments to undertake necessary economic reforms and to make changes to their trade and investment regimes that will directly benefit U.S. businesses. This week in Washington, another round of negotiations on the bilateral trade agreement is taking place, and I feel that an agreement may be within reach in the coming weeks. This agreement is necessary if we are to fully normalize our bilateral relationship extending normal trade relations to the country. It also will act as a catalyst to simulate fundamental and far-reaching economic reforms improving the transparency and predictability of its business regime and moving Vietnam significantly closer to WTO and other international economic standards. In fact, prominent dissident Nguyen Dan Que, in a June 13 communique, announced his support for a bilateral trade agreement based on his belief that the agreement would be a force for change in Vietnam. And it will be open up Vietnam's economy creating new, commercially meaningful opportunities for U.S. firms. Withdrawal of the waiver at this time would certainly derail these negotiations at a critical juncture.

U.S. business also benefits from continued access to U.S. government export promotion and investment support programs such as those offered by the Export-Import Bank (EXIM), the Overseas Private Investment Corporation (OPIC), the U.S. Department of Agriculture (USDA) and the Trade and Development Agency (TDA). U.S. manufacturers, farmers and workers stand to gain significant opportunities from these programs, including opportunities that lead to the development of jobs in the U.S. OPIC financing and insurance programs are available for U.S. investors and several potential projects are currently in the pipeline. EXIM is putting the finishing touches on agreements which will allow it to make a range of export support programs available to U.S. exporters. USDA also has made available grants and credit guarantees that will open the Vietnamese market to increased U.S. agricultural exports. TDA has made numerous grants for feasibility studies that will give U.S. companies the leg up to win project bid. These programs have just begun operating since last year as a result of the Jackson-Vanik waiver, and we now stand poised to reap the considerable benefits they have to offer. Withdrawal of the waiver would end the availability of these programs to our businesses operating in Vietnam, restricting their ability to compete on a level playing field with Asian and European competitors who have access to similar programs.

A prosperous Vietnam integrated into world markets and regional organizations will contribute to regional stability. The U.S. seeks to encourage Vietnam along the path of reform so that as it enters the 21st century, it will become a reliable and peaceful regional and international player. The best way to achieve this is to work with other nations to increase trade, the free flow of information and know-how, and people-to-people exchanges with Vietnam. Vietnam itself decided over a decade ago to embark on an economic reform program, known as doi moi, and a policy of political and economic reintegration with the world. Already a member of ASEAN since 1995, Vietnam took another step forward when it joined APEC in November 1998. As Vietnam increasingly integrates itself into these regional organizations and the rest of the international community, it gains a greater stake in being a constructive world player. Vietnam has also placed high priority on improving relations with the United States. It is in our national interest to respond positively to these overtures.

To those who would argue that rather than incrementally normalizing our relationship with Vietnam, we should eschew further contact with the country and its communist regime and withdraw the Jackson-Vanik waiver from Vietnam, I would reply that to do so would be to deny ourselves the most effective tool we have to encourage the process of change in Vietnam. As Vietnam has opened to the world, permitting foreign goods, ideas, people and investment to enter its borders, tangible change has occurred. Vietnamese society in 1999 bears little resemblance to the isolated, bankrupt and tightly-controlled society of a decade ago. With continued opening of the economy, the middle class will grow, the population will become more educated and exposed to more ideas, and Vietnam will continue to evolve to become a more open society. But change comes in increments. By extending the Jackson-Vanik waiver and taking other steps along the path of normalization, including extension of normal trade relations, the U.S. will advance our interest in encouraging Vietnam's on-going transition.

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Chairman CRANE. Thank you, Mr. Ambassador. You were here to listen to the testimony of our colleague from California, Mr. Rohr-

abacher. He made in his testimony some charges about what's been going on in Vietnam since we had the last time to have an exchange, the last year on this. I am curious, he says the Communist regime has further tightened its grip on civil liberties, religion, and free expression. You have been there present to witness what's happening. How would you evaluate that?

Ambassador PETERSON. Clearly, the civil liberties have not been tightened. Clearly I would say the religious rights issue has not been tightened. The press issue is mixed. In fact, they did pass a law recently which we haven't truly evaluated just yet, nor do I think have they. But there is a problem with freedom of the press. It's not what we want it to be, but we are on the inside tinkering with policy with them, and making strong suggestions that this is one area that they have absolutely every opportunity and to the benefit of the nation to open up and to allow the whole process to be more transparent. Transparency is a major point of every meeting that I have with any Vietnamese leader, large or small.

He also made a point about the lack of free elections. I would like to just walk through what the last election for the national assembly looked like. The election had roughly 800 candidates, something like that, it may have been a little more. There are 450 seats in the national assembly. When the election was over, the cross-section of the national assembly was changed dramatically. Sixty-one members of the national assembly are not party members. Three of the members that were elected to the national assembly do not belong to any organization. They are totally independent. They ran as independents. Just came off the street, "I want to run."

Chairman CRANE. Jesse Venturas.

Ambassador PETERSON. Perhaps. One of those three members is a former major in the South Vietnamese Army. It was rather cute, actually. Of those three members, the papers had a review and said "and three members were elected with no political support at all," which in their thought was I thought rather interesting. But what they have now is a national assembly that is assuming a much greater role, because now it's constituency-based. It has taken a greater role in policy. Its cross-section: 26.6 percent women, all of the minorities are represented, they have a much better cross-section of the religious activities, labor, all of those activities are represented in that body.

I don't know that it's a free election like the one we'll have next year, but it is clearly changed. I think that we should give credit to that and encourage them to move further on that point.

Chairman CRANE. Another quote from his testimony, "Repressive political and economic policies of the Vietnamese Communist leaders makes Vietnam a dictatorship and one of the worst investment risks in the world." How would you evaluate that?

Ambassador PETERSON. Well, the United States has well over 400 companies, a number of them represented here today, of which you will hear testimony. They are a better measure of risk than I. Clearly they recognize Vietnam as an opportunity. If in fact the conditions were so severe as that, they wouldn't be there. That's the first point.

The second point is though, to be honest with you, doing business in Vietnam is quite difficult, as it would be for any country that is under major transition as this country, and where a country is trying to find its way in becoming a party to the global economic regime. Their effort and their commitment with us in the negotiations with our bilateral trade agreement have really been incredibly fruitful in them addressing some of the most onerous issues that you could ask any former Communist government or a Communist government to look at in looking toward the development of free market. They are opening their market. They are changing tariffs. They are having to build new institutions. It is a whole different ballgame. While we are not talking here today about the trade agreement, I hope to do that later this year. It would be a major hope on my part. But from the standpoint of Vietnamese taking on the difficult issues, they clearly have done so. I think that the businessmen would be better qualified to answer that question in greater detail.

Chairman CRANE. One final question was his statement that Hanoi has continued to jam the broadcasts of Radio Free Asia.

Ambassador PETERSON. Frankly, I believe they continue to try to. I think it's a left-handed effort. They are certainly not being totally successful and are being quite intermittent about it, because our people are intercepting it and listening to it, my staff. So it's not something that isn't getting through. It does get through. I think that that is becoming a much less of concern, even to the Vietnamese. I hear them not talking about that very much.

I would add another point that one of the things that my friend Congressman Rohrabacher made a point about, we shouldn't do business with anyone that isn't a democracy. I hope everyone recognizes that if we ever had adopted such a plan, we wouldn't be the nation we are. Nor would a whole host of other nations be who they are, because we just have had such a huge success by engagement and bringing those nations into the window of democracy. So I think that clearly by engagement that opportunity exists in Vietnam as it did in Chile and a whole host of other countries of which we have had I think great success.

Chairman CRANE. Thank you, Mr. Ambassador.

Mr. Levin.

Mr. LEVIN. Let me just ask you I think a question, a general one that our constituents ask. There has been much discussion about engagement, and at times, deprecation of that term and what it means. So based on your tenure so far, if you were talking to our constituencies, you have talked in the past years and in a sense the whole American people are now your constituency, but based as your tenure, what is the case for a waiver for continued involvement, the progress you have seen, the road ahead? Sum it up based on your on-the-ground experiences in Vietnam, your experience as Ambassador.

Ambassador PETERSON. Sandy, since I have been there, I have seen significant improvement across the whole spectrum of issues and goals, objectives that the United States has interest in Vietnam. They have become much more open. They are willing to conduct a dialog on virtually any subject no matter how tough it is, how unpleasant it might be. They are looking for solutions. They

want very much to be friends to America. They recognize America, like so many other nations do in the world, as the symbol of freedom and the society that they would like to pattern their country after, I believe.

What I see in the generational transition is significant, as was noted by Congressman Blumenauer, that 80, 85 percent of the population is under age 40. Over 40 percent of the population is under age 18. These are people who want a better quality of life, and they are looking to America to help them to do that. Our MIA search effort has indeed come down to a partnership. It's not just cooperation any more. There is a lot of unilateral work that the Vietnamese are giving to us. They are suggesting ways for us on how to do things better and how to save money in the process of doing it. They have shown a deference to our concerns having to do with the incarceration of individuals who have broken Vietnamese law in their frame of reference, but it's law, which frankly, should be changed. With our expression of concern, we have encouraged them to settle these disputes rather than incarceration by administrative procedure, and they have done that.

Two years ago, they wouldn't have done that. Those are just a few examples of the changes that are taking place in Vietnam. I noted that if you were to take a snapshot of Vietnam in 1999, it has no resemblance of anything in the past of even 1 month ago, because things are changing so much and so fast.

Mr. LEVIN. Thank you.

Chairman CRANE. Mr. Rangel.

Mr. RANGEL. Ambassador, we are so proud to have an American like you represent us, but even more proud that you are a former Member of this House. I was just speaking with Congressman Neal, who commented that after all you have been through, to hear you testify on behalf of a country that you were held captive for 6 years, makes you a very, very special human being. I know that you do it not just for them or for us, but for humankind as we try to improve the quality of life for them. Of course, we all benefit.

Throughout your testimony, in my mind, I just struck out North Vietnam and substituted Cuba. We have had Americans lose their life in Japan, and Germany, and Vietnam, and Korea, and certainly I have been shot by Chinese. Yet we think that it helps democracy by exposing them, by engaging them, by showing them how it works, and everything that you have said, I will take your word for it because it's working, because it's just so easy to be vindictive and want to get even.

What is the difference with Cuba? Why would it not work the same way with Cuba? Why can't we let our businesspeople showcase democracy and competition at its best? They too love Americans, if not our government. What are your thoughts about free trade with as many people as you have said, where would we be today if we were just restrictive in looking at the type of government, oh we didn't trade with them unless they were "a democracy." What are your views, Ambassador, on that?

Ambassador PETERSON. Well, that may be above my pay grade to answer that in specific terms. However, I would only suggest that the successes that we have found in Vietnam have come because we have engaged, because we have had a very professional

and constructive dialog with them on virtually every issue of which we have had outstanding. I think that success is telling. Clearly, in order to find solutions, one has to talk to the parties and air out those differences and come to those compromises and conclusions, of which we have done in Vietnam.

We are not finished in Vietnam. I don't want to leave that impression. We have a long way to go. We are working very, very hard. I am very proud of my staff and the desk officers here and a lot of departmental officers within the administration, because we have to be committed in order for them to have a commitment in return. We have to be inspiring and we have to lead. We have to be out front. We're the big guy. I am very proud that we have taken that opportunity and enhanced our relationship with Vietnam to where we can in fact move to the future and exploit these wonderful opportunities to raise the quality of life for 80 million people, and by so doing, give them an opportunity to have a big bite of the apple that all the rest of us enjoy in America.

Mr. RANGEL. We're proud of you. Thank you, Mr. Chairman.

Chairman CRANE. Mr. Neal.

Mr. NEAL. Thanks, Mr. Chairman. I think Charlie summed it up pretty well. The emotion that you evoke when you come back to the House, Pete, you were a great pal while you were here and it's terrific to see you in your new role.

Two questions. One of the hardest things for Members of Congress which you experienced for 6 years and probably because of your history, you know better than everybody, when you go to the events that memorialize Vietnam, that question of prisoners of war is still a burning issue for many, many of the troops that served and their families. Senator Kerry gave a pretty good accounting this morning, I thought, of numbers. But would you care to shed some light on how you feel that that is moving and progressing?

Ambassador PETERSON. I think the MIA search efforts, POW search efforts in Vietnam have been successful in historic proportions. Never before in mankind history, that I know about, have two former belligerents gone back to the battlefield and attempted to do what we are doing.

We have now brought this list of missing down substantially. I believe the number is roughly 2,060 in all of Southeast Asia, and in Vietnam it's roughly 1,540. But as I noted in my testimony, in those cases of no further pursuit, the Vietnamese have just handed a result back to an investigation of which we are now going back through our records. It appears that we could in fact resolve roughly 600 cases if it is accurate, if the information we have is accurate and we can in fact fulfill all of the legal requirements associated with that, which would bring down these numbers even more substantially.

But I can assure you that this commitment that we are involved with to reach the fullest possible accounting is of the most serious, and the first priority that we have in our mission in Vietnam.

I would say too that this work that we are doing is not just for those who we lost. It is for those who are wearing the uniform today, because it's a demonstration of the commitment of our Nation to make that determination and to their families that we will get answers as to whatever loss that might be sustained in a future

combat role. So, I am very proud of this. We could cite all the members. I think it's actually in my testimony. But if there's any program that I am most proud of, frankly, it is that one.

We have recently commissioned a film, a short film, that shows exactly how we do it and goes through the whole process that I will try to send you a copy, that I think you would find very rewarding. I hope that you would be able to share that with some of your constituents as well.

Mr. NEAL. Second question, the Asian financial crisis. We keep seeing inconsistent information in data that are delivered here. What is your read on the impact of that so-called "Asian flu?"

Ambassador PETERSON. Well, I have just finished a nationwide tour of really five cities in which we have discussed that with all sorts of various groups in America. We have tried to bring the message that it appears in some of the countries in Asia that the financial crisis seems to be bottoming out. It looks like we will probably get some generally positive GDP growth rates next year. But none of these countries is out of the woods.

Vietnam was less negatively impacted and has maintained a positive growth rate throughout this whole process because it was less subjected to this process because it didn't have a stock market nor convertible currency. Nevertheless, it has lost its export markets, it has lost a lot of its FDI, and it is struggling. But if you look at Thailand, you look at Malaysia, you look at, certainly, Korea, those countries are certainly coming back. Singapore wasn't really hurt by this. Now with the elections in Indonesia, that looks promising as well. The Philippines has done very well, as well. So we are very optimistic about the prospects of having administered the proper medicine to the financial crisis by the world community. We see a recovery certainly in the next year.

Mr. NEAL. Thanks, Pete.

Chairman CRANE. Well again, let us express our appreciation to you, Mr. Ambassador, for your willingness to continue to serve faithfully, both in your tour of duty in Vietnam as well as coming back here and giving us updates. Your insights are—oh, excuse me. Mr. Watkins has a question before you leave.

Mr. WATKINS. Thank you. Mr. Ambassador, let me say how pleased I am to hear you, and I think speaking for nearly all Americans, I would say all, that we are delighted you are serving as Ambassador there. We know the American people are served well.

I have two questions I would like to ask. What do you feel and see are the trade barriers that we have there with our trade relations with Vietnam? What do you see on the ground there in Vietnam?

Ambassador PETERSON. Well, the trade agreement of which we are negotiating with Vietnam right now is essentially a WTO principle-based trade agreement. All of the barriers that have been in place in Vietnam to protect the state-owned enterprises and to essentially control the domestic market are in place. With the BTA, the bilateral trade agreement, we are negotiating removals of those barriers. There are many and varied. Even with that, however, as I noted, 400 American companies or 400-plus American companies are already doing business there and have found ways to overcome

some of those barriers. Some of those companies are doing quite well, I might add.

So the tariff structure, the licensing structure, the closure of some sectors of the market, and frankly, just the slowness of the Vietnamese to react to business requests.

Mr. WATKINS. That kind of leads me to the second question there. Do you feel you, through the Embassy there, that we are being able to expedite and overcome those things there? Do we have the kind of corporation there that helps us—I know we have got to work toward a bigger trade agreement, but we know those kind of engagements, as you were talking about, but are those various barriers, are they willing to work with you?

Ambassador PETERSON. Yes, they are. In fact, they are not just working with us. Obviously there are many other foreign nations who are doing business there.

Mr. WATKINS. Right, exactly.

Ambassador PETERSON. The donors community has been very effective, I think, in bringing forth recommendations for accelerated reforms in removing of those barriers. But so far as American business and American interests are concerned, our best effort, our best opportunity is to negotiate a conclusion to the bilateral trade agreement, and then bring it up to you and bring it through the process of confirmation here.

Mr. WATKINS. That's all I have, Mr. Chairman.

Chairman CRANE. Well again, thank you, Mr. Ambassador. We look forward to your testimony in the future since we have to renew the Jackson-Vanik waiver annually.

Ambassador PETERSON. Thank you, Mr. Chairman, I appreciate it, and all the Members.

Chairman CRANE. With that, the Subcommittee will stand in recess subject to call of the Chair. We have one 15-minute and two 5-minute votes. We will reconvene after that.

[Recess.]

Chairman CRANE. Will everybody please take seats. The Subcommittee will reconvene. I now would like to invite our next panel. Nguyen Dinh Thang, executive director, Boat People S.O.S.; Virginia Foote, president, U.S.-Vietnam Trade Council; Y Tin Hwing, member, Montagnard Human Rights Organization; Lionel Johnson, vice president and director, InterNational Government Relations of Citibank; and Ernest Bower, president, U.S.-ASEAN Business Council.

I would like now to yield to our distinguished Ranking Minority Member, Mr. Rangel, who wants to make a special remark or one of our witnesses.

Mr. RANGEL. I just want to thank Lionel Johnson, as well as the Majority for giving us an opportunity to be involved in this panel. We were fortunate that Mr. Johnson, who is the vice president, director, of InterNational Government Relations with Citibank was able to join with us. I want to thank the Chair. Thank you for being here.

Chairman CRANE. Let me tell our witnesses to please try and confine your oral presentations to under 5 minutes. Any printed statements, however, will be made a part of the permanent record. With that, we shall then proceed in the order I presented you here.

I am not pronouncing it right, probably. Is it Thang or Thang?  
 Mr. THANG. The first try is pretty good.  
 Chairman CRANE. OK. You go first.

**STATEMENT OF NGUYEN DINH THANG, EXECUTIVE  
 DIRECTOR, BOAT PEOPLE S.O.S., MERRIFIELD, VIRGINIA**

Mr. THANG. Thank you, sir. Mr. Chairman and Members of the Subcommittee, last year President Clinton granted Vietnam the waiver for the Jackson-Vanik amendment with the promise that it would substantially promote free and open emigration. Other witnesses before me have brought up other issues such as MIA/POWs, trade relations with Vietnam, child labor, constructive engagement; all those issues are very important. But for the moment, I would like to focus your attention on the gist of the Jackson-Vanik amendment, which is free and open emigration. The waiver should be evaluated based on whether it has substantially promoted free and open emigration, or not.

The statutory definition of free and open emigration is that no citizen should be denied the right or opportunity to emigrate, and that no citizen should be made to pay more than a nominal fee on emigration or on the visas or other documents required for emigration. According to that definition, emigration in Vietnam has become less free and less open since last year's waiver because of more rampant corruption. According to our own survey of refugees arriving in the U.S. over the past 6 months, on the average, each of them must pay \$1,000 U.S., or four times the annual per capita income in Vietnam, for access to interviews and exit permission. That is clearly more than a nominal fee.

One refugee arriving in Texas earlier this year was demanded \$10,000 U.S. As he could not afford the money, he was coerced by the authorities into a false marriage with a lady who agreed to pay the required sum. He had to take this woman and her child to the U.S., leaving behind his own child in Vietnam. Another applicant was demanded \$40,000 U.S. As he did not have that kind of money, how could he, the authorities demanded that he marry a woman with four children and bring them all to the U.S. He refused because he had taken the Buddhist vow of celibacy. He is now under arrest, I mean under house detention in Vietnam.

According to our estimates there are some 10,000 otherwise estimates, eligible individuals who have been denied access to various U.S. refugee programs because of corruption. This estimate is conservative. At a meeting with a delegation of Vietnamese-American leaders and several congressional staffers in late 1997, our Ambassador to Vietnam, Pete Peterson, placed the number at around 20,000 to 30,000 individuals. None of those cases has been resolved.

It is obvious that considering the extremely corrupt system in Vietnam, there cannot be free and open emigration. Neither can any trade relations with Vietnam be normal in its true sense.

The U.N. Development Program 2 days ago reported that 40 percent of its aid to Vietnam for an ongoing project had been lost. Its report recommends that all proposals in the pipeline should be annulled. The UNDP also estimates that only 5.5 percent of the \$5 billion in international development aid to Vietnam actually goes

to the Vietnamese citizens. That's not normal. Last month, Vietnam's ministry of finance reported that one-third of the country's total civil service assets, worth \$5.8 billion, are unaccounted for. That is not normal.

Reacting to a growing number of public allegations of corruption against its leaders, the Communist party earlier this year issued an order prohibiting its members from criticizing their leaders. Since then, many anticorruption crusaders among its own rank have been harassed, intimidated, or even arrested and detained. The politburo member accused by these crusaders of high level corruption now heads the party's anticorruption campaign. That's not normal.

At yesterday's meeting with international donors and foreign investors in Vietnam, Vietnamese Government officials rejected calls for more transparency and less bureaucracy. The director of the World Bank in Vietnam made the following observation. "Last year, we met at a time when we were very concerned. Today the situation is more serious than it was last year."

Over the past 12 months, Mr. Chairman, the Vietnamese Government has become more corrupt, less tolerant, more repressive, less transparent. This Congress has championed the cause of less government and more power to the people in America. The people of Vietnam deserve no less. United States policy toward Vietnam should empower the people, not strengthen the government's grip on power. For the past year, the Jackson-Vanik waiver has achieved exactly the opposite. I therefore recommend that this Subcommittee disapprove the renewal of the waiver until and unless Vietnam has taken concrete steps to reform its stifling and corrupt bureaucracy, make its fiscal and administrative system transparent and accountable to the people, and respect open and free emigration.

Proponents of the waiver present a different picture. To find out for yourselves, I suggest that this Subcommittee request the General Accounting Office to conduct a survey of refugees arriving from Vietnam to this country over the past 6 months about the extent and level of corruption they were subjected to in Vietnam, and another survey of all United States businesses and governmental organizations with activities in Vietnam about the extent and level of corruption they have been subjected to. Then you will have a true story and a real picture.

Thank you, Mr. Chairman.

[The prepared statement follows:]

**Statement of Nguyen Dinh Thang, Executive Director, Boat People S.O.S,  
Merryfield, Virginia**

The Jackson-Vanik Amendment stipulates that a communist country must honor free and open emigration of its citizens as precondition for certain economic privileges from the U.S. The President may waive this requirement if he can certify that the waiver promotes the objective of the amendment.

The statute gives specific definition of what it means by free and open emigration: No citizen should be denied the right or opportunity to emigrate, and no citizen should be made to pay more than a nominal fee on emigration or on the visas or other documents required for emigration.

We have interviewed many refugees arriving to the U.S. within the past six months. They had to pay on the average US \$750 for access to the interview, and then US \$250 apiece for an exit permit. At the airport, they again paid between \$100 to \$150 in order to get on the plane. These are huge sums of money, consid-

ering that the annual salary of an average government worker is \$250 a year. Most of these refugees arrived in the U.S. with large debts. Emigration is clearly not free in Vietnam. Those who did not pay saw the door to U.S. refugee programs shut until they paid. Emigration is clearly not open in Vietnam.

Corruption has many grave consequences on US refugee programs and on the refugees themselves. One refugee, now in Texas, was demanded US \$10,000 in exchange for access to the Resettlement Opportunity for Vietnamese Returnees (ROVR) program. Of course he did not have that kind of money. The Vietnamese authorities then forced him to enter into a false marriage with a woman who agreed to pay the required sum. Without any choice, this man had to leave his own child behind and take the woman and her child to the U.S. instead.

That is not the most outrageous example. For the past three years we have tried to help a repatriated boat person get a ROVR interview. He is demanded a bribe of US \$40,000. Like the one above, this man is being coerced into a false marriage with a woman with four children. He has resisted so far because he has taken the Buddhist vow of celibacy. The police currently keeps him under house detention. This man is among the 650 returnees still denied interview clearance despite promises of cooperation by Vietnam.

Even in the ROVR program, which is of high priority to the US government, corruption has thrived. The consequences of corruption are much more aggravating in other U.S. refugee programs inside Vietnam. According to our conservative estimate, corruption has effectively denied some 10,000 otherwise eligible individuals access to the Humanitarian Operation program for former political prisoners and the U11 program for former U.S. government employees. They do not have the financial means to secure required documents in order to apply. Some have managed to apply but the Vietnamese authorities have refused to forward their applications to the US government. These victims of persecution, economically, socially, and politically marginalized because of their alliance with the US during the war, are being left behind.

The Administration has ignored these blatant violations of the Jackson-Vanik Amendment in its rush to establish normal trade relations with Vietnam.

The level and extent of corruption in Vietnam makes trade with that country anything but normal. Before taking a stand, members of this subcommittee need to carefully review the following recent events.

- Late last year, Edouard Wattez, the U.N. Development Program (UNDP) representative in Hanoi, made public his concern that very little (5.5 per cent) of the \$5 billion in international development aid to Vietnam actually goes for basic social services to Vietnamese citizens, and that such aid might have hindered genuine economic reforms. (Cash handouts slow economic reform process, South China Morning Post, Nov. 25, 1998.)

- In a report released two days ago, UNDP estimates that 40 percent of its money spent on a project in Vietnam was lost. It recommends that "all proposals in the pipeline should be annulled" (UN Report Shows Wasted Vietnam Aid, The Associated Press, June 14, 1999). Vietnam's Ministry of Finance recently admitted that one third of the country's total civil service assets, worth 5.8 billion US dollars, are unaccounted for (*Vietnam Sets Stage for New Government Purge*, STRATFOR's Global Intelligence Update, May 25, 1999).

- In its latest report, the Hong Kong-based Political and Economic Risk Consultancy (PERC) noted that Asia's economic crisis has resulted in greater transparency for most Asian economies. Vietnam, however, remains far in the negative end of the spectrum: scoring 8.50, where 0 is the best possible score and 10 the worst (*Asia crisis results in greater transparency-PERC, T1 05:57 a.m. Nov 30, 1998 Eastern*). In its report to Congress released two weeks ago, the General Accounting Office concluded that Vietnam lacks fiscal transparency and that financial and trade data published by its government are unreliable. (*Vietnam Economic Data: Assessment of Availability and Quality*, GAO, June 1999)

- Survey results released last week by Business Software Alliance and Software & Information Industry Association ranks Vietnam top in the world in software piracy; 97% of all software applications used in Vietnam are pirated (*Two-fifths of installed software pirated-survey*, Reuters, 09:57 a.m. Jun 07, 1999 Eastern). One should note that most of the computer systems in Vietnam are operated by government agencies or state-owned enterprises (SOEs).

- At the meeting with government officials two days ago, international donors and foreign investors expressed concern over the lack of transparency among SOEs and over the opaque bureaucracy that breeds corruption. Their calls for concrete reforms were rejected. At the conclusion of the meeting, Andrew Steer, director in Vietnam for the World Bank, publicly expressed his frustration: "Last year we met at a time when we were very concerned. Today the situation is more serious than

it was last year." (*Disappointed donors see Vietnam slowing reforms, Reuters, Jun 15, 1999.*)

- Three months ago, the public security police arrested Dr. Nguyen Thanh Giang, an anti-corruption crusader, and harassed 11 communist veterans who had written to the Communist Party alleging politburo member Pham The Duyet of high-level corruption. The politburo has since issued an order prohibiting party members from publicly criticizing their leaders (*Vietnam Clamps Down on Free Speech, The Associated Press, June 7, 1999*). The accused politburo member is presently in charge of Vietnam's anti-corruption campaign.

Considering the extremely corrupt system in Vietnam, there can not be free and open emigration; trade relations with Vietnam can not be normal.

This Congress has advocated for less government and more power to the people—the people in America, that is. The people of Vietnam deserves no less. U.S. policy toward Vietnam should empower the people, not strengthen the government's grip on power. For the past year, the Jackson-Vanik waiver has achieved exactly the opposite.

I would like to recommend that the Subcommittee on Trade request the General Accounting Office to conduct a survey of refugees arriving from Vietnam over the past 6 months about the extent and level of corruption they were subjected to request the General Accounting Office to conduct a survey of all U.S. businesses and non-governmental organizations with activities in Vietnam about the extent and level of corruption they have been subjected to hold off the renewal of the Jackson-Vanik waiver until the Vietnamese government takes concrete steps to reform its stifling and corrupt bureaucracy, make its fiscal and administrative system transparent, and respect open and free emigration.

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Chairman CRANE. Thank you.

Ms. Foote.

**STATEMENT OF VIRGINIA B. FOOTE, PRESIDENT, U.S.-  
VIETNAM TRADE COUNCIL**

Ms. FOOTE. Chairman Crane, Congressman Rangel, I am very pleased to be here today, as representing the United States-Vietnam Trade Council. I testify in strong support of the renewal of the Jackson-Vanik waiver for Vietnam. If there are no objections, I would like to submit my full statement into the record, which includes two fact sheets we have put together on the importance of this waiver and of NTR's status for Vietnam.

Chairman CRANE. Without objection, so ordered.

Ms. FOOTE. Thank you. And a letter also that we sent recently to Ambassador Barshefsky on the bilateral trade agreement talks signed by 144 American companies and trade associations, and a chronology of the overall normalization process between the United States and Vietnam which began in the Reagan administration.

The trade council was founded in 1989 as an association with strong membership from the American business community. We have offices in Washington and Hanoi, and have worked through our educational affiliation, the United States-Vietnam Forum, to improve relations between the U.S. and Vietnam with educational exchange programs, conferences, congressional delegations. We are now providing technical assistance on some of the difficult issues that are raised by the bilateral trade agreement.

I would like to address why I think it is very important for you to vote to renew the Jackson-Vanik waiver for Vietnam again this year. Beginning in the late eighties, Vietnam embarked on a bold economic reform program, which has shown impressive results. From 1988 to 1996, over \$28 billion in foreign investment was committed to Vietnam. Because normalization with the United States

was far slower than with other nations, American involvement in Vietnam has lagged behind other nations, and still operates under severe handicaps. Without NTR status, a trade agreement, and initially without trade support programs, American companies and individuals nonetheless began traveling, investing, and trading with Vietnam. By 1997, the United States was the eighth largest investor and eighth largest trading partner, with \$1.2 billion in investment committed, and 1 billion dollars' worth of two-way trade. As of May 1999, the United States was the ninth largest investor, with \$1.37 billion committed in foreign projects, and down to \$830 million in two-way trade. Americans are traveling to Vietnam in great numbers. In 1997, Vietnam issued 98,000 visas for Americans traveling to Vietnam. This year, the number is 180,000.

But by 1997, Vietnam's impressive growth rate had peaked. A downturn set in. Foreign investment has dropped off dramatically and hit a low last year of \$1.37 billion for the year. Although Vietnam is in one sense a step removed from the Asia financial crisis because of its nonconvertible currency and plans for the stock market still in the works, 70 percent of the investment in Vietnam is from other Asian countries, and nearly 70 percent of its international trade comes from the region as well, and the crisis has hit them hard.

It is in this difficult environment that the United States is now negotiating a trade agreement with Vietnam, and once again discussing the annual waiver of the Jackson-Vanik renewal. The United States has pegged the Jackson-Vanik waiver to progress on the ROVR Program specifically, and on emigration in general. On the merits of progress on the ROVR Program alone, Jackson-Vanik ought to be renewed. In assessing the Orderly Departure Program for emigration over all, Jackson-Vanik ought to be renewed.

On the economic front, the renewal of Jackson-Vanik is equally important for achieving U.S. goals. American involvement in the economic integration process in Vietnam is welcome, and is extremely important to the overall development of Vietnam in the long run. American companies and American government negotiators are setting a high standard for trade, investment, labor, and business practices. American companies are actively involved in training programs through my council and individually. American products are popular in Vietnam. The population of 77 million, half of them under 25, they are well educated, and there is a potential for Vietnam to be a significant trading partner.

In the process of negotiating a comprehensive trade agreement with Vietnam, the two sides have agreed to general principles and they are working on the very difficult task of designing phase-in schedules. Vietnam has been very welcoming of technical assistance from the United States. In response to this, the Department of State, AID, USIA, and with the involvement of the private sector of AIG, Citibank, Oracle, New York Life, Raytheon, and other companies, the trade council has been running very successful technical assistance programs, providing legal expertise to the Vietnamese through the firm of Powell, Goldstein, to work with them on building the legal infrastructure needed to deal with these difficult and complex issues of reform.

The United States should stay involved in this process. It is in our interest to see a strong and healthy Vietnam in Southeast Asia. Yes, Vietnam has a corruption problem. Yes, Vietnam is bogged down by its own bureaucracy. Yes, they are fearful of massive unemployment if they let the state enterprise system go. Yes, they worry about the lessons of the region of the economic crisis. But are these problems unique to Vietnam? No, they are not.

Vietnam has set out on an economic reform path that many countries began years ago. It is a process that is taking place more slowly than many hoped for Vietnam, and with American companies coming in late, it has not been easy for them. But companies are confident that progress is being made. There are major infrastructure projects in the pipeline, and with the help of Ex-Im and OPIC, American companies are in a strong position to win important contracts in this next year. With fully normalized relations, the United States could become one of the top investors in Vietnam.

In addition, since the initial waiver of Jackson-Vanik, the Vietnamese have greatly sped up the process of trade negotiations, and we have set an ambitious goal to finish the agreement this year, and hopefully get it to you in Congress. The issues on the table, such as liberalizing trade and investment regimes, and the strengthening of intellectual property rights, these are issues of great importance to anyone doing business in Vietnam, now or in the future, and to anyone hoping to see the standard of living increase in Vietnam.

Vietnam is strategically and economically important, and will be greatly affected by United States policy overall, and by the course of bilateral relations, even in the short run. The Jackson-Vanik waiver has produced important results since it was initially waived by President Clinton in March 1998. It is crucial that the waiver be renewed again this year.

Thank you very much.

[The prepared statement follows:]

**Statement of Virginia B. Foote, President, U.S.-Vietnam Trade Council**

Chairman Crane, members of the Committee, I am pleased to be here today representing as President of the U.S.-Vietnam Trade Council to testify in strong support of the Jackson-Vanik waiver renewal for Vietnam. If there are no objections, I would like to submit for the record two fact sheets we have put together on the importance of this waiver and NTR status, a letter we sent recently to Ambassador Barshefsky on the bilateral trade agreement talks signed by 144 American companies and trade associations, and a chronology of the overall normalization process between the United States and Vietnam which began in the Reagan Administration.

The U.S.-Vietnam Trade Council, founded in 1989, is a trade association with strong membership from the American business community. With offices in Washington and Hanoi we have worked along with our educational affiliate, the U.S.-Vietnam Forum, to improve relations between the United States and Vietnam with educational exchange programs, annual conferences, Congressional delegations and programs designed to provide assistance on international trade norms and standards.

Today I would like to address why the renewal of the Jackson-Vanik waiver for Vietnam is so important to both the United States and to Vietnam. Beginning in the late 1980's Vietnam embarked on a bold economic reform program which showed impressive results almost immediately. Vietnam went from near famine to become the third largest rice exporter behind Thailand and the United States in a matter of a few years. Growth rates climbed to 8 and 9%. Foreign investors flocked to Vietnam. From 1988-1996 over \$28 billion in foreign investment was committed. And with a very low per capita income of only \$250 per year in the early 1990's, the

international donor community began generous overseas development assistance programs reaching pledges of \$2.7 billion in 1998, adding to the approximately \$10 billion pledged since 1993.

Also beginning in the late 1980's, the Vietnamese government committed to end its isolation and began working to normalize relations worldwide. In this area, Vietnam has had tremendous success in establishing relations in Europe, within Asia and with the United States. Vietnam joined ASEAN in 1995 and APEC last year, and is committed to joining WTO.

The Reagan and Bush administrations recognized Vietnam's goal of ending its international isolation and responded with a policy of normalizing relations with Vietnam through a step-by-step process pegged to cooperation on the U.S.'s principal goal of seeking the fullest possible accounting for our missing in action from the Vietnam War.

As the attached timeline shows, this process has proceeded slowly through three administrations but has led to the lifting of the trade embargo, the establishment of diplomatic relations and the beginnings of economic normalization including the initial waiving of the Jackson-Vanik amendment last year. In response, Vietnam has greatly enhanced its efforts on issues of high priority to the U.S. including the MIA/POW efforts, immigration goals, and now economic integration.

But because the U.S. normalized relations far more slowly than other nations did, American business involvement in the Vietnam has lagged behind other nations and still operates with severe handicaps. Without NTR status,\* a trade agreement, and initially without trade support programs, American companies and individuals nonetheless began traveling, investing and trading with Vietnam. By 1997 the United States was the eighth largest investor and eighth largest trading partner with \$1.2 billion in investment committed and with \$1 billion worth of two way trade. As of May 1999, the U.S. was ninth largest investor with \$1.37 billion commitment to foreign investment projects, and \$830 million in two way trade.

\*Only 6 countries do not have NTR status: Afghanistan, Cuba, Laos, North Korea, Serbia, and Vietnam

And Americans are traveling to Vietnam in great numbers. In 1997 Vietnam issued 98,000 visas for Americans wishing to travel to Vietnam, over 66,000 for Vietnamese Americans wanting to visit their homeland. In 1998, Vietnam issued 180,000 for all Americans.

But by 1997, Vietnam's impressive growth had peaked. A downturn set in. Foreign investment dropped by 40% in 1997 and hit a low of 1.37 billion for all of 1998. The growth rates in 1998 dropped to around 5%. The easy parts of economic reform had been accomplished. Harder issues loom large. And although Vietnam was in a sense one step removed from the Asian financial crisis with a non-convertible currency and plans for a stock market still in the works, 70% of its foreign investment had been coming from Asian countries as is nearly 70% of its international trade.

It is in this difficult environment that the U.S. is now negotiating a trade agreement with Vietnam and once again discussing the annual waiver of the Jackson-Vanik amendment.

U.S. policy has pegged the Jackson-Vanik waiver to progress on the ROVR program specifically and immigration in general. On the merits of progress on the ROVR alone, Jackson-Vanik ought to be renewed. And in assessing the Orderly Departure immigration program overall, Jackson-Vanik ought to be renewed. Close to half a million Vietnamese have come to the United States under ODP and by this time last year there were some 7,000 applicants left to be processed. The State Department now thinks they will be able to close all but a handful of ODP cases by the end of 1999. As of this time last year another 2,500 ROVR cases out of a universe of nearly 20,000 were left to be cleared for interview, with an estimated half of these cases missing due to address or name errors. The State Department again says the government of Vietnam has now cleared over 96% of the ROVR cases. Since the initial waiver of Jackson-Vanik, the Vietnamese have allowed all remaining ODP cases—including the Montagnard cases which are of particular concern to the U.S.—to be processed under the new and far quicker system developed by the Vietnamese initially just for ROVR cases.

On the economic front, the renewal of a Jackson-Vanik waiver is equally important for achieving U.S. goals. American involvement in the economic integration process is welcome in Vietnam and could be extremely important to overall development in the long run. American companies and government negotiators set a high standard for trade, investment, labor and business practices. American management and technology is greatly admired in Vietnam. American companies are actively involved in training programs through the Trade Council and individually. American products are popular. With a population of 77 million with over half under the age

of 25 and well educated, Vietnam has great potential as a significant trading partner.

In the process of negotiating a comprehensive trade agreement with the United States, Vietnam has accepted the general principles outlined in our draft and is now working on the very difficult task of designing phase-in schedules. It has been very welcoming of technical assistance on these issues from the U.S. In response to this, with support from the Department of State, AID, and USIA, and from the private sector including AIG, Citibank, Oracle, New York Life, and Raytheon, the Trade Council has run a successful technical assistance program with legal expertise from the law firm of Powell, Goldstein, Frazer and Murphy. The negotiations involve difficult and complex issues.

The United States should stay involved in this process. It is in our interest to see a stronger and economically healthy Vietnam in the Southeast Asian region. Yes, Vietnam has a corruption problem. Yes, Vietnam is bogged down by its bureaucracy. Yes, they are fearful of massive unemployment if they let the state enterprise system go. Yes, they worry about what lessons are to be learned from the economic crisis in the region. But are these problems unique to Vietnam? They are not.

Vietnam has set out on an economic reform path that other countries began years ago. It is a process that has been slower than many hoped and with American companies coming in late, it has not been easy for our companies to operate in Vietnam. But companies are confident that progress is being made, and the major infrastructure projects are in the pipe line, and with the help of Exim and OPIC American companies are in strong positions to win important contracts this year. With fully normalized economic relations, the United States could well join the top ranks of investors in Vietnam.

In addition, since the initial waiver of Jackson-Vanik, the Vietnamese have greatly sped up the trade negotiations and set an ambitious goal of finishing the agreement this year. The issues on the table, such as liberalizing the trade and investment regimes and the strengthening of intellectual property rights, are of great importance to anyone doing business in Vietnam, now or in the future, or anyone hoping to see Vietnam's standard of living increase.

Vietnam's strategic and economic role in the region will be greatly affected by U.S. policy overall and by the course of bilateral relations even in the short run. The bi-partisan policy of a step-by-step process of normalizing relations with Vietnam, while very slow, has produced positive results for American interests. The Jackson-Vanik waiver has produced important results since it was initially waived by President Clinton in March of 1998 year and it is crucial that the waiver be renewed again this year at this important time in our relationship.

Thank you.

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#### **ATTACHMENT A—THE JACKSON-VANIK AMENDMENT FOR VIETNAM**

- What is the Jackson-Vanik Amendment? On March 11, 1998, President Clinton issued a Jackson-Vanik waiver for Vietnam based on the country's improvements of emigration procedures, particularly its cooperation on the Resettlement Opportunity for Vietnamese Returnees (ROVR). On July 30, 1998, the U.S. House of Representatives voted 260–163 in favor of extending the waiver for Vietnam. When the waiver was first issued in March 1998, American projects in Vietnam became potentially eligible for trade and investment support programs from the Export-Import Bank of the U.S. (EXIM) and the Overseas Private Investment Corporation (OPIC).

- Why the Jackson-Vanik waiver is important? The availability of export promotion programs is a critical factor in a number of major procurement decisions being made now in Vietnam. The Jackson-Vanik waiver also allows the U.S. Department of Agriculture and the U.S. Maritime Administration to make their trade support programs available for projects in Vietnam. The ability of U.S. companies to utilize these programs now places them on a more level playing field with their foreign competitors who have enjoyed a high level of government support for their projects in Vietnam. Though the U.S. currently is the eighth largest investor in Vietnam, the investment and trade opportunities for U.S. companies could expand significantly with continued availability of EXIM and OPIC financing.

- What role does Congress play now? On an annual basis, the President must submit to Congress by June 3rd a request to renew his authority to issue waivers of the Jackson-Vanik amendment in principle, and a decision to continue waivers for individual countries where he determines this will substantially promote free-

dom of immigration from that country. Congress then has the opportunity to reject the overall authority, or to withhold it for an individual country through a joint resolution of disapproval which must pass both the House and Senate before September 1st. If Congress does not act the authority is automatically renewed.

- What the 1999 Jackson-Vanik waiver for Vietnam does not do: The waiver does not grant Normal Trading Relations (NTR, formerly MFN) status to Vietnam as the Jackson-Vanik waiver is only one step in the NTR process. A bilateral trade agreement must first be negotiated and signed and then Congress must vote whether or not to approve the granting of NTR status to Vietnam. Vietnam is currently negotiating its bilateral trade agreement with the U.S. It is hoped that will be concluded by mid-year 1999 and that a request for NTR could be submitted to Congress in the Fall of 1999.

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#### **ATTACHMENT B—VIETNAM NTR STATUS AND THE BILATERAL TRADE AGREEMENT**

- Why does the U.S. need a bilateral trade agreement with Vietnam? A bilateral trade agreement with Vietnam is important to the U.S. because together with a Jackson-Vanik waiver, it allows for Normal Trade Relations (NTR) status to be extended to U.S. goods entering Vietnam, and reciprocally to Vietnamese goods entering the U.S. The bilateral trade agreement, which addresses issues relating to trade in goods, trade in services, intellectual property rights and foreign investment, not only guarantees NTR but creates more open market access, and greater transparency for U.S. exporters and investors in Vietnam. Through this trade agreement and provision of NTR status, the U.S. will receive the same status that Vietnam affords its other trading partners such as the EU, Australia and Canada.

- How does Vietnam receive NTR status under U.S. Law? In order to receive NTR status from the U.S., the following criteria must first be met under Title IV of the Trade Act, as amended: 1) A waiver of the Jackson-Vanik Amendment must be renewed annually by the President; and 2) the U.S. and Vietnam must conclude a bilateral trade agreement. Once a bilateral trade agreement is concluded by the two governments, it will be submitted to Congress with a request for the granting of NTR for Vietnam. Nondiscriminatory treatment can only be extended through a joint "approval resolution" passed by both the House and the Senate. NTR status for Vietnam would then be subject to annual renewal each summer through the continuation of the Jackson-Vanik waiver. Currently, countries that do not have NTR status include Afghanistan, Cuba, Laos, North Korea, Serbia & Montenegro, and Vietnam.

- What are the Congressional procedures? Pursuant to Section 152 (b) of the Trade Act of 1974, as amended, an approval resolution for NTR status is first introduced (by request) to the House and the Senate and then is referred to the House Ways and Means Committee and the Senate Finance Committee. Both the House and the Senate must vote in favor of NTR for it to be granted. Because Vietnam is a JacksonVanik country, the NTR request has built in procedures for Congressional consideration—the agreement cannot be amended and the request must be voted on by the House and the Senate within 60 session days from when the President's request is submitted to Congress, with a maximum of 45 legislative days in committee and 15 days on the floor within which time a vote must be taken. Debate on the floor is limited to 20 hours each for both Houses.

- What is the optimal time frame? As other issues could potentially crowd the agenda for next year, the hope is the trade agreement can be concluded by summer of 1999 so that congressional approval process can be completed by the end of the calendar year.

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**ATTACHMENT C**

*March 15, 1999*

Ambassador Charlene Barshefsky  
United States Trade Representative  
600 17th St, NW  
Washington, DC 20503

Dear Ambassador Barshefsky,

As members of the American business community, we applaud the hard work and effort of you and your staff on obtaining a comprehensive trade agreement with Vietnam and urge that steps be taken towards its timely completion.

We have been following closely the developments surrounding the negotiations and feel that a critical juncture has been reached. As other issues could potentially crowd the agenda for next year, we hope that real and substantial progress toward the agreement's conclusion can be made in the next few months so that congressional approval can be completed this year. This, as you know, is very important for American companies since the conclusion of a trade agreement, with the reciprocal extension of Normal Trade Relations (NTR), is an essential building block for the development of economic ties.

It is our understanding the U.S. has responded positively to Vietnam's recent proposal which shows progress by the Vietnamese on key issues. We hope the next round of talks in March 1999 will lead to even further progress towards reaching agreement.

We look forward to working with you and your staff and stand ready to actively support your efforts to conclude a comprehensive trade agreement with Vietnam and to complete congressional approval this year.

Sincerely,

American Companies:	Commerce Advisory	International, Inc.
ABB Inc. Amata	Partners	International Business
(Vietnam) Company	Connell Bros. Co. Ltd.	Center Corporation
Ltd.	CPC Vietnam Ltd.	International Business
America Frontier	Craft Corporation	Consulting Group
American International	Dat Thanh Ltd. Co.	John Hancock Mutual Life
Group	Delta Equipment and	Insurance Co.
American Rice American	Construction Co.	KHM, Inc.
Vietnam Veterans Ltd.	Dragon Capital Ltd.	Law Offices of David Day
Amrepro Inc.	Direct Line Cargo	Leif J. Ostberg, Inc.
American Standard	Eastman Chemical	Lukemax Company
Sanitaryware Inc.	Company	M & T Vietnam
American President Lines,	Eastman Kodak Company	Malichi International Ltd.
Ltd.	East West Trade &	Manna Consultants Inc.
Arthur Andersen Vietnam	Investment Inc.	Marriott Hotel Saigon
Asian Fame Development	Ecology and Environment	Manolis & Company Asia
Baker & McKenzie	Inc.	McDermott, Inc.
Bayer Agritech Saigon	Ellicott International	Mekong Research
Berkeley Mills	Esso Vietnam Estee	Merevry Int'l Group
Black & Veatch	Lauder	MIDAS Agronomics
The Boeing Company	Fashion Garments Ltd.	Company, Ltd.
British-American Tobacco	Fila USA, Inc	Millar and Ngo at Law
Vietnam	Finansa Ltd.	Mobil Corporation
Cargill	Ford Motor Company	Monsanto Motorola, Inc.
Carrier Vietnam Ltd	GEMCO Industries	New York Life
Caterpillar	General Electric	International
Chadwick Marketing Ltd.	Guidant Corporation	NIKE
Chase Manhattan Bank	Hoffman La Roche	Novelty (Vietnam) Ltd.
Chicago Bridge and Iron	HTE (Vietnam) Co. Ltd.	Co.
Company	Iambic, Ltd.	Oracle
CIGNA International	IBM	Ohsman and Sons
Citigroup	IPAC Vietnam	Company, Inc.
Coca-Cola Indochina	Indochina Assg.	Otis Saigon Elevator
Columbia International	Management	Company Limited
Clinic	Industrial Associates	

Pacific Architects and Engineers, Inc.	Right Stuff, Inc.	Triumph International (Vietnam) Ltd.
Pacific View Partners, Inc.	Rollins International	Unisys Corporation
Pacmar Inc.	Saigon Investment GAA Ltd.	United Technologies Corporation
Pac-Mark Pact, Inc.	Saigon Travel Service	Universal Leaf Tobacco Co.
PAI Corporation	Salland Industries Ltd.	Universal Semiconductor, Inc.
Patton and Co.	Samuels International	U.S. Trading & Investment Company
Petroleum Equipment Supplies Association	Sanofi Vietnam	VACO Corporation
Phu My Hung Corporation	SAIS-John Hopkins	Vietnam Management Fund
Picnpay Stores Inc.	Southeast Asia Studies	Vietnam Venture Group Inc.
Polaris Co. Ltd.	Scientific Atlanta Sealand Services, Inc.	
Procter & Gamble	Shea and Gardner, Esq.	
Pragmatics, Inc.	Sofitel Plaza Saigon	
Price Waterhouse Coopers	Thermco Hawaii, Inc.	
Raytheon Company	Trade Span International	
Rhone-Poulenc Rorer	Transworld Ventures Group Inc.	
Bangladesh Ltd.		
Trade Associations:		
American Chamber of Commerce, Hong Kong	International Farmers Aid Association	US-ASEAN Business Council
American Chamber of Commerce, Philippines	National Association of Manufacturers	U.S. Chamber of Commerce
American Chamber of Commerce, Shanghai	National Retail Federation	U.S. Council for International Business
American Chamber of Commerce, Thailand	San Francisco Global Trade Council	U.S.-Vietnam Trade Council
American Chamber of Commerce, Vietnam	Sporting Goods Manufacturers Association	U.S. Wheat Association
California-Southeast Asia Business Council	Telecommunication Industry Association	Vietnamese American Business Council
Direct Selling Association	Toy Manufacturers of America, Inc.	Vietnamese-American Chamber of Commerce of Hawaii
Footwear Distributors & Retailers of America		

## ATTACHMENT D

### Chronology of U.S.-Vietnam Relations

April 30, 1975 .....	North Vietnamese forces take over the Southern part of Vietnam, ending the war and unifying the country. Washington extends embargo to all of Vietnam and breaks diplomatic relations.
1978 .....	Secret talks between Hanoi and Washington on normalizing relations break down
1988 .....	Under the Reagan Administration, Vietnam begins cooperation with United States to resolve fate of American servicemen missing in action (MIA)
September 1989 .....	Vietnam completes Cambodia withdrawal.
April 1991 .....	Under the Bush Administration, Washington presents Hanoi with "roadmap" plan for phased normalization of ties. The two sides agree to open U.S. government office in Hanoi to help settle MIA issues.
April 1991 .....	U.S. begins humanitarian aid projects for war victims to be administered by U.S. Agency for International Development (USAID).
October 1991 .....	Vietnam supports U.N. peace plan for Cambodia. Secretary of State James Baker announces Washington is ready to take steps toward normalizing relations with Hanoi.
December 1991 .....	Washington lifts ban on organized U.S. travel to Vietnam.
1991 .....	U.S. Congress authorizes the United States Information Agency (USIA) to begin exchange programs with Vietnam.
April 1992 .....	Washington eases trade embargo by allowing commercial sales to Vietnam for basic human needs, lifts curbs on projects by U.S. non-governmental and non-profit groups and allows establishment of telecommunications links with Vietnam.

## Chronology of U.S.-Vietnam Relations—Continued

July 2, 1993 .....	President Clinton clears way for resumption of international lending to Vietnam.
Sept. 13, 1993 .....	Clinton eases economic sanctions to let U.S. firms join in development projects.
Jan. 27, 1994 .....	Senate in favor of a resolution urging the Administration to lift embargo, saying this would help get a full account of MIAs.
Feb. 3, 1994 .....	President Clinton lifts trade embargo.
Jan. 28, 1995 .....	United States and Vietnam sign agreements settling old property claims and establishing liaison offices in each other's capitals.
May 15, 1995 .....	Vietnam gives U.S. presidential delegation batch of documents on missing Americans, later hailed by Pentagon as most detailed and informative of their kind.
June 1995 .....	Veterans of Foreign Wars announces support of U.S. normalization of diplomatic relations with Vietnam.
July 11, 1995 .....	President Clinton announces "normalization of relations" with Vietnam.
Aug. 6, 1995 .....	Secretary of State Warren Christopher visits Hanoi and officially opens U.S. embassy.
May 1996 .....	U.S. presents Vietnam with trade agreement blueprint.
July 12, 1996 .....	U.S. National Security Adviser Anthony Lake visits Hanoi to mark first anniversary of normalization and press forward on slow-moving economic and strategic ties, stressing that MIA issue tops Washington's agenda.
April 7, 1997 .....	U.S. Treasury Secretary Robert Rubin and Finance Minister Nguyen Sinh Hung sign accord in Hanoi for Vietnam to repay debts of approximately \$145 million which Vietnam assumed from former government of South Vietnam.
April 10, 1997 .....	Senate confirms Douglas "Pete" Peterson, Vietnam War veteran and former prisoner of war, as Ambassador.
April 16, 1997 .....	United States and Vietnam reach agreement on providing legal protection for copyright owners.
May 9, 1997 .....	Peterson takes up post as U.S. Ambassador in Hanoi.
May 9, 1997 .....	Vietnam's Ambassador to the United States, Le Van Bang, arrives to take up post in Washington, DC.
June 1997 .....	Secretary of State Madeleine Albright attends ceremony to lay cornerstone for U.S. consulate in Ho Chi Minh City.
August 1997 .....	U.S. government under the U.S. Agency for International Development (USAID) begins a commercial law program.
October 1997 .....	Vietnam institutes new processing procedure in ROVR program significantly improving progress.
November 1997 .....	Vietnam opens consulate in San Francisco, CA.
March 1998 .....	U.S. opens talks on a Civil Aviation Agreement held.
March 10, 1998 .....	President Clinton issues waiver of Jackson-Vanik Amendment for Vietnam, paving the way for OPIC, EXIM, USDA and MARAD operations.
March 26, 1998 .....	Minister of Planning & Investment Tran Xuan Gia and Ambassador Pete Peterson finalize signing of the OPIC bilateral for Vietnam.
July 23, 1998 .....	The U.S. Senate votes 66-34 to continue funding for the U.S. Embassy in Vietnam based on ongoing cooperation on the POW/MIA issue.
July 30, 1998 .....	The U.S. House of Representatives votes to renew the Jackson-Vanik waiver for Vietnam by a 260 to 163 vote margin.
October 1998 .....	Deputy Prime Minister and Foreign Minister Nguyen Manh Cam makes Vietnam's highest level visit to Washington since normalization.
October 1998 .....	Deputy Prime Minister Hanh visits U.S. for planning meeting on military-to-military activities.
October 1998 .....	U.S. and Vietnam agree to negotiate a Science & Technology Agreement.
December 28, 1998 .....	Bilateral Copyright Agreement enters into force.
January 1999 .....	EXIM team visits Vietnam to negotiate an EXIM bilateral agreement.
January 29, 1999 .....	The U.S. receives a proposal from the Vietnamese indicating substantial progress on the U.S.-Vietnam bilateral trade negotiations.
March 1999 .....	The most recent round of trade talks are held in Hanoi.

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Chairman CRANE. Thank you, Ms. Foote.  
Mr. Hwing.

**STATEMENT OF Y TIN HWING, MEMBER, MONTAGNARD  
HUMAN RIGHTS ORGANIZATION, GREENSBORO, NORTH  
CAROLINA**

Mr. HWING. Mr. Chairman and Members of the Subcommittee, my name is Y Tin Hwing. I am a member of Montagnard Human Rights Organization. I represent the Montagnard people living both in the United States and in the central highlands of Vietnam. I would like to thank Congressman Crane for the opportunity to participate in today's hearing on the President's proposed renewal of Vietnam's waiver under Jackson-Vanik amendment to the Trade Act of 1974.

I arrived in the United States as a refugee just a few months ago, on February 12, 1999. It has taken me years to get my exit permission. When I mean years, 7 years, from Vietnam, from the Vietnamese Government. I now live in Greensboro, North Carolina, with my wife and two children. I have five children remaining in Vietnam. During the war with Vietnam, I worked as a Special Forces combat interpreter, and later I worked for the U.S. Embassy personnel in Daklak Province. I rose to the rank of captain. My last job before Saigon fell was protocol liaison for the Ministry of Ethnic Minorities in Saigon. I was arrested and put in prison for 9 years as a result of my work with the United States during the war. The war was so terrible for our people. More than 1 million Montagnard men, women, and children were killed, and 85 percent of our villages were destroyed or abandoned. After the fall of South Vietnam, 20 percent of our Montagnard people were killed by the Communist forces. Sixty percent were imprisoned, like myself, and 20 percent joined the Montagnard Resistance Force.

I think you know the United States Government asked our people to stand by her in the Vietnam War. We stood side-by-side, toe-to-toe with our American brothers and sisters with pride. We sacrificed our lives for the principle of freedom and American values. Today, your great country is our only hope of getting our remaining eligible families out of Vietnam. In the last year since the Jackson-Vanik waiver, the conditions of emigration for our people are worse. Families continue to suffer, separated from loved ones.

It is such a privilege to be here today in this free country. In Vietnam, my Montagnard people and other Vietnamese citizens do not have the freedom to speak out. Most of our people live in fear because Vietnam is a police state.

I have with me today, which I will give to the Subcommittee, the statements of several Montagnard families who were forced to pay large amounts of money to get their exit permission. In some cases, they were forced to substitute Vietnamese children or spouses illegally. Our people are so poor. Please, understand that they are desperate when they are split apart from their families and leave a loved one behind. They only do this because they do not have enough money or land to sell to the person who offers to help with their exit papers. Please, understand too, that this process is hap-

pening with the full knowledge from the Vietnamese Government. The immigration bureau knows who of our people are eligible and they inform the Vietnamese who are rich to buy a chance for their child to come to the United States for education. Our people suffer because they often are afraid. They are desperate. They lack knowledge. Finally, they see it as the only way they can get their family out of Vietnam. This is not right. We should not have to sell our opportunity for a life of freedom in the United States, after all the suffering our Montagnard people have endured.

I would like also to mention that the U.S. immigration policy has made it very difficult too. INS often requires extensive paper and documentation that our Montagnard people never had because of our culture and traditions. Many of our people missed the deadline because they never heard about the program. They didn't know how to apply, and especially, they didn't have money to pay the bribe in order to get their exit permits.

For all these reasons, dear Subcommittee Members, we Montagnard people need your help to leave Vietnam. We need help with United States policy and also with the Vietnamese policy also. Nothing is more precious than families being together. The Vietnamese Government knows this. It should stop punishing our people and truly promote goodwill, economic normalization, and friendship between our two great countries. We came here today to tell you the truth about the conditions experienced by our Montagnard people. We sincerely hope that you will hear our voice. The United States is our best hope for our families and our people. God bless you and the United States of America.

Thank you.

[The prepared statement follows. Attachments are being retained in the Committee files.]

**Statement of Y Tin Hwing, Member, Montagnard Human Rights  
Organization, Greensboro, North Carolina**

Mr. Chairman and Members of the Subcommittee. My name is Y Tin Hwing and I am a member of the Montagnard Human Rights Organization. I represent the Montagnard people living both in the U.S. and in the Central Highlands of Vietnam. I would like to thank Congressman Crane for the opportunity to participate in today's Hearing on the President's proposed renewal of Vietnam's waiver under the Jackson-Vanik Amendment to the Trade Act of 1974.

I arrived in the United States as a refugee just a few months ago on February 12, 1999. It has taken me years to get my exit permission from the Vietnamese government. I now live in Greensboro, North Carolina with my wife and two children. I have five children remaining in Vietnam. During the war with Vietnam I worked as a Special Forces combat interpreter and later worked for U.S. Embassy personnel in Daklak Province. I rose to the rank of Captain. My last job before Saigon fell was protocol liaison for the Ministry of Ethnic Minorities in Saigon. I was arrested and put in prison for nine years as a result of my work with the United States during the war. The war was so terrible for our people. More than a million Montagnard men, women and children were killed and 85% of our villages were destroyed or abandoned.

After the fall of South Vietnam, 20 % of our Montagnard people were killed by Communist forces, 60% were put in prison (like myself) and 20% joined the Montagnard Resistance Force.

I think you know the U.S. government asked our people to stand by her in the Vietnam War. We stood side by side with our American brothers and sisters with pride. We sacrificed ourselves for the principles of freedom and American values. Today, your great country is our only hope of getting our remaining eligible families out of Vietnam. In the last year since the Jackson-Vanik waiver, the conditions for emigration for our people are worse. Families continue to suffer separated from loved ones.

It is such a privilege to be here today in this free country. In Vietnam, my Montagnard people and other Vietnamese citizens do not have the freedom to speak out. Most of our people live in fear because Vietnam is a police state.

Those of you on the Trade Subcommittee, along with Honorable Ambassador Peterson, are concerned about investment in Vietnam, economic normalization and the United States and Vietnam being partners in the global community. This is a good thing. We are for this, too. What you may not realize is that fear, greed, corruption and distrust control everything in Vietnam. These negative things are controlling the emigration process, too. The corruption is not good for business, and it is not good for Vietnam's people. Vietnam has not fully cooperated in the last year. Many of our same families still cannot leave Vietnam because they cannot afford the bribes.

Vietnam has not honored its commitment for free emigration for all its citizens. If we really want to help Vietnam be an equal partner in the world community, is it not right to expect it to honor its word? That is good business. We want Vietnam to develop fully with trade. Yet, we also want the country of our birth to honor its word and live up to agreements set forth between the U.S. and Vietnam. Families have a right to be together.

I have with me today which I will give to the Committee, the statements of several Montagnard families who were forced to pay large amounts of money to get their exit permission. In some cases they were forced to substitute Vietnamese children or spouses illegally. Our people are so poor. Please understand that they are desperate when they split apart their families and leave a loved one behind. They only do this because they do not have enough money or land to sell to the person who offers to help them with their exit papers. Please understand, too, that this process is happening with full knowledge from the Vietnamese government. The immigration bureau knows who of our people are eligible and they inform Vietnamese who are rich to buy a chance for their child to come to the U.S. for education. Our people suffer because they often are afraid, they are desperate, they lack knowledge and finally, they see it as the only way they can get their family out of Vietnam. This is not right. We should not have to sell our opportunity for a life of freedom in the U.S. after all the suffering our Montagnard people have endured.

I would like to also mention that the U.S. immigration policy has made it very difficult, too. INS often requires extensive paperwork and documentation that our Montagnard people never had because of our culture and traditions. Many of our people missed the deadline because they never heard about the program, they didn't know how to apply and especially, they didn't have the money to pay the bribes in order to buy their exit permits.

For all these reasons, dear Committee members, we Montagnard people need your help to leave Vietnam. We need help with U.S. policy and with Vietnam's policy. Nothing is more precious than families being together. The Vietnamese government knows this. It should stop punishing our people and truly promote goodwill, economic normalization and friendship between our two great countries. We came here today to tell you the truth about the conditions experienced by our Montagnard people. We sincerely hope that you will hear our voice. The United States is our best hope for our families and our people.

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Chairman CRANE. Thank you, Mr. Hwing.  
Mr. Johnson.

**STATEMENT OF LIONEL C. JOHNSON, VICE PRESIDENT AND  
DIRECTOR, INTERNATIONAL GOVERNMENT RELATIONS,  
CITIGROUP INC.**

Mr. LIONEL JOHNSON. Thank you, Mr. Chairman. I would like to express my appreciation for the opportunity to appear before the Subcommittee today regarding United States and Vietnam trade relations, and specifically, the proposed renewal of the President's waiver of Jackson-Vanik. I would like to particularly thank the distinguished Member from New York, Mr. Rangel, for his very kind words of introduction.

I have prepared a written statement setting forth the details of our largest subsidiary, Citibank's, operations in Vietnam. Given to-

day's lengthy witness list, I would ask that I be permitted to submit it for the record. I will at this moment make just a few very brief comments.

Mr. Chairman, disapproval of the President's Jackson-Vanik waiver for Vietnam at this time would be devastating. Despite many fits and starts, we have made very significant progress in our bilateral relationship over the past few years. We have done so with the bipartisan support of the Congress of the United States. The Vietnamese have worked diligently to address many concerns that we have raised during this process, and disapproval would undermine the progress and would undercut the efforts of Vietnamese reformers who are advocating for more openness, more engagement for the international community, and more liberalization in economic affairs.

It is important that we focus as well on the next major issue coming down the pike. That is the bilateral trade agreement that the Ambassador earlier indicated could be reached this year. This agreement is critical to continued progress in our bilateral economic relationship, and concluding the negotiations will be a complicated exercise, but I believe the U.S. negotiators under the able leadership of Joe Damond of USTR are up to the task. They are to be commended for the great progress that they have made thus far under very challenging circumstances.

I am acutely aware, however, that the trade accord will face a tough road in Congress. It will require strong leadership from this Subcommittee and others in Congress to move it forward to enactment. I urge you to make that effort, however, and I assure you that we in the business community will make every effort to support you and will be there working along side you.

Mr. Chairman, and Members of the Subcommittee, the decision the Congress will make on these issues will have a significant and lasting impact on our bilateral relations with Vietnam. As a representative of Citigroup, I urge you to reject the resolution of disapproval and allow the President's waiver of the Jackson-Vanik amendment to stand.

Thank you.

[The prepared statement follows:]

**Statement of Lionel C. Johnson, Vice President and Director, International Government Relations, Citigroup Inc.**

Mr. Chairman, members of the subcommittee, my name is Lionel C. Johnson, and I am Vice President and Director of International Government Relations of Citigroup Inc. I appreciate this opportunity to appear before you regarding the importance of normalizing U.S.-Vietnam trade relations. I wish to specifically address the importance of renewal of the President's waiver of the Jackson-Vanik Amendment with regard to Vietnam.

Citigroup's largest subsidiary, Citibank, has operated in Vietnam since 1993, when President Bush eased trade restrictions and allowed U.S. companies to establish representative offices. Shortly after President Clinton lifted the trade embargo, Citibank applied for a branch license in Hanoi and opened for business there in January 1995. Since that time, Citibank has provided a wide range of banking services, primarily to our multinational and top tier local corporate clients. Our services range from trade and investment finance to electronic banking, foreign exchange and project finance advisory services. Negotiations toward a trade agreement have been moving forward at a significant pace and, as Ambassador Peterson has underscored, we may even see an agreement concluded this year.

In less than four years, Citibank has become the largest foreign bank in the country. We also have played a leading role in the American business community and

have fully encouraged normalized relations between our two countries. We believe that our efforts have helped the Administration to make progress in other areas, as well, including achieving the fullest possible accounting of POW/MIAs.

Vietnam holds great potential as a market for U.S. products and services. With a population of 75 million people—more than half under the age of 25—and with tremendous infrastructure and human development needs, Vietnam is a country that deserves our attention, and more importantly, our support for the reform process currently underway.

Although significant opportunities exist for firms seeking to do business in Vietnam, U.S. companies have been disadvantaged in comparison to our competitors from other countries for several reasons.

First, because the United States did not have diplomatic relations with Vietnam until 1994, our business engagement lagged behind that of companies from other parts of the world that had been there for several years.

Second, the lack of a bilateral trade agreement and normal trade relations status for Vietnam puts U.S. firms at a disadvantage in investing in Vietnam, moving goods in and out of the country, and leaves us without strong protections for intellectual property.

Third, U.S. firms have been hampered by their inability to access government-backed financing and insurance from the Export-Import Bank and the Overseas Private Investment Corporation. America's private sector would simply not be competitive in Vietnam without access to Eximbank and OPIC programs. Our European and Asian competitors have dedicated significant government resources toward developing market share in Vietnam. To be competitive, U.S. companies need access to government financing, and to get that financing they are being forced to go to third countries. As a condition of securing that financing, they are required to source their products in those countries. That means they aren't buying Caterpillar tractors, or GE turbines, or other products produced in the United States. And that means the jobs that would have been created here to build those products will instead go to those countries.

Since the President issued his waiver of Jackson-Vanik last spring, we have made significant strides toward providing U.S. companies with financing support in Vietnam. OPIC is now operating in Vietnam, and Ex-Im is moving toward completion of the steps needed to begin operations.

Mr. Chairman, disapproval of the President's Jackson-Vanik waiver for Vietnam at this time would be devastating. Despite many fits and starts, we have made significant progress in our bilateral relationship in the past few years. And we have done so with the bipartisan support of the United States Congress. The Vietnamese have worked diligently to address the many concerns that we have raised during this process. Disapproval would undermine this progress and would undercut the efforts of Vietnamese reformers who are advocating for more openness, more engagement with the international community, and more liberalization in economic affairs.

It is important that we focus as well on the next major issue coming down the pike—the bilateral trade agreement that the Ambassador indicated could be reached this year. This agreement is critical to continued progress in our bilateral economic relationship. Concluding the negotiations will be a complicated exercise but I believe that our negotiators, under the able leadership of Joseph Damond, are up to the task. They are to be commended for the great progress they have made so far, under challenging circumstances.

I am acutely aware, however, that the trade accord will face a tough road in Congress. It will require strong leadership from members of this subcommittee and others in Congress to move it forward to enactment. I urge you to make that effort, and I assure you that we in the business community will be working alongside you.

Mr. Chairman and members of the subcommittee, the decision that Congress makes on this issue will have significant and lasting impact on our bilateral relations with Vietnam. As a representative of Citigroup, I urge you to reject the resolution of disapproval and allow the President's waiver of the Jackson-Vanik Amendment to stand.

Thank you.

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Chairman CRANE. Thank you, Mr. Johnson.  
Mr. Bower.

**STATEMENT OF ERNEST Z. BOWER, PRESIDENT, US-ASEAN  
BUSINESS COUNCIL, INC.**

Mr. BOWER. Mr. Chairman, thank you for the opportunity to testify before your Subcommittee today. I am the president of the US-ASEAN Business Council, which represents over 400 American companies and States. We have members in every state of this country.

ASEAN is the Association of South East Asian Nations, including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and last, Vietnam. That 10-country market is our third largest market for the United States, and Vietnam is an important part of that market.

On behalf of the more than 400 member companies of the council, I would like to say that we are committed to building and strengthening the United States-Vietnam relationship. We view strong commercial relations as an integral part of that bilateral relationship.

We have seen progress in Vietnam in the last 10 years. I would like to note that we have seen the regularizing of diplomatic relations in 1995, Vietnam joined ASEAN in the next year. We have exchanged United States Ambassadors and Vietnamese Ambassadors in 1997, and Vietnam joined APEC, the Asia Pacific Economic Cooperation Forum, which Ambassador Peterson mentioned, in 1998, just last year.

We do see change in Vietnam. I was there in November with 10 senior officers of American corporations. We had extensive talks with Vietnam's leadership, including political, trade, and business leadership. We saw there a commitment to reform and to integrate into the regional market and to the world market. We want to support this commitment to reform. We hope that you will do so by renewal of the Jackson-Vanik waiver for Vietnam.

I have made more extensive comments in my testimony, which I hope to submit to the record. I will try to be brief in light of so many witnesses. But I would like to make several points. We believe that the waiver promotes United States commercial interests in Vietnam in the following ways. Without the support of Ex-Im and OPIC, U.S. companies would be at a distinct disadvantage vis-a-vis our competition, which rely heavily on their own export credit agencies in the market.

Also, failure to renew the Jackson-Vanik waiver would put U.S. policy and U.S. commitment to an important member of the ASEAN group in question among the ASEAN members. The U.S. companies would be hurt in their ability to take advantage of the ASEAN free trade area market, which as I mentioned earlier, consists of 10 countries, original market of well over 500 million people, a GDP approaching \$1 trillion. As I mentioned before, ASEAN is our third largest overseas market, and it is our fastest growing major market, taking a 150-percent increase in U.S. exports to that region between 1990 and 1997.

We also believe that the waiver for Jackson-Vanik is a crucial step to the accelerating momentum for the completion of a bilateral trade agreement this year. The United States-Vietnam trade agreement sets high standards in the area of labor practices, market openness, and investment protections. With this formal

government-to-government agreement in place, Vietnam would have the framework to change policy. This is important because we believe that they do want to change their policies, but they need our help to make that possible. Without the waiver, the U.S. business community faces the prospect of a delay in the trade agreements' long-awaited provisions on reform of tariff levels and non-tariff barriers, intellectual property rights, investment and services. By renewing the waiver, the United States creates a positive environment for Vietnam to commit the necessary economic reforms, and complete the negotiations this year.

I would finally like to say that one thing this council stands very strongly for is the fact that United States companies, when operating in Southeast Asia, and Vietnam is no exception, raise the level of commitment to areas such as environmental rights, worker rights, labor practices, fair labor standards, and human rights. We believe that a job is a human right. We believe that by participation in the rest of Southeast Asia, that U.S. companies have raised the levels in these important areas in the last 30 years. U.S. companies train workers and transfer technology more readily than our competitors, and we promote democratic values, set a positive example, and improve the general quality of life by providing fair pay, safe working conditions, and health and education benefits.

The Jackson-Vanik waiver is an essential component for our continued progress in the bilateral relationship in the areas I have just mentioned, and in the advancement of United States commercial, social, and political interests in Vietnam. For these reasons, the U.S. business community represented by the US-ASEAN Business Council, stands firmly in support of the waiver.

Thank you, Mr. Chairman.

[The prepared statement follows:]

**Statement of Ernest Z. Bower, President, US-ASEAN Business Council, Inc.**

Thank you, Mr. Chairman, for the opportunity to testify before your Subcommittee. My name is Ernest Z. Bower. I am the President of the US-ASEAN Business Council, a private, non-profit organization which works to expand trade and investment between the United States and the member countries of ASEAN, an acronym for the Association of Southeast Asian Nations. ASEAN members include Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand, and Vietnam.

On behalf of the more than four hundred companies and states the Council represents, many of whom are heavily involved in the development of Vietnam's market economy, the US-ASEAN Business Council has long promoted strong US-Vietnam commercial relations. We view strong commercial relations as an integral part of the bilateral relationship.

Despite Vietnam's great potential and the qualitative ways the U.S. private sector can contribute to the country's economic development, the prospects for the U.S.-Vietnam commercial relationship have until recently been somewhat stagnant. These times have tested the patience of those wanting to become more involved in the country's development. The government of Vietnam continues to deliberate on how much economic and political control it should cede as the country makes the difficult transition between a centrally planned system and a true market economy, and as it becomes more involved in the international marketplace.

The encouraging news is that the government of Vietnam has—within the last six months—given clear signals to the foreign business community that it wants to be more responsive to investor concerns. Consultations with government officials are becoming more commonplace and systematic, while the tenor of these discussions has become more frank and open. This progress has taken place within the context of increased levels of understanding and cooperation between both our countries to produce a viable Bilateral Trade Agreement (BTA).

To sustain this momentum, and in light of its benefits to the US-Vietnam bilateral relationship, U.S. commercial interests, and the promotion of U.S. socio-political objectives in Vietnam, the US-ASEAN Business Council fully supports renewal of the Jackson-Vanik waiver.

1. The waiver promotes continuing normalization of bilateral relations between the U.S. and Vietnam—an objective of all parties.

Throughout the process of normalization of relations between the United States and Vietnam, both sides have sought to build confidence by undertaking actions that show commitment to progress. For the Vietnamese, this has included working toward adapting their commercial and legal practices to be more in line with international standards. President Clinton's decision to waive the Jackson-Vanik amendment last year signaled to the Vietnamese our willingness to further normalize our relations. Failure to renew the waiver would send a negative message to Hanoi and call into question our intentions. Renewing the waiver will signal U.S. confidence that our two countries can work together on areas of mutual benefit toward conclusion of the BTA and beyond.

2. The waiver promotes U.S. commercial interests in a large emerging market by:

a. Supporting the competitiveness of US business in Vietnam. The Jackson-Vanik waiver allows for the operation of the Export-Import Bank of the United States (Ex-Im) and the Overseas Private Investment Corp. (OPIC) in Vietnam. Without the support of these government agencies, U.S. companies would be at a distinct disadvantage to foreign companies which rely heavily on their own export credit agencies for market penetration. There is a close correlation between the activities of trade support agencies and market share.

b. Distributing to both countries the benefits of increased bilateral trade and investment. Allowing Ex-Im and OPIC to continue to operate in Vietnam would undoubtedly increase the level of commerce between the two countries, benefiting each. For the Vietnamese, greater interaction means more products for their consumers, access to technology and capital, and new investment. For the United States, we look forward to increased export and investment opportunities, more export-related jobs, and greater confidence in long-term business prospects. US companies would also be able to take advantage of Vietnam's commitment to the ASEAN Free Trade Area (AFTA) and other regional economic cooperation agreements to access ASEAN's ten (10) country market, which comprises over 500 million people with a GDP approaching US \$1 trillion dollars.

c. Accelerating the momentum for completion of a Bilateral Trade Agreement this year. The U.S.-Vietnam trade agreement sets high standards in the areas of labor practices, market openness and investment protections. With this formal government-to-government agreement in place Vietnam would have the framework to change policy. Without the waiver, the US business community faces the prospect of a delay in the Trade Agreement's long-awaited provisions on reform of tariff levels and non-tariff barriers, intellectual property rights, investment, and services. By renewing the waiver, the United States creates a positive environment for Vietnam to commit to necessary economic reforms and complete the BTA negotiations this year.

d. Encouraging Vietnam, and by extension the other members of ASEAN, to maintain trade and investment liberalization commitments. Vietnam has made progress in adapting to requirements of regional groupings such as ASEAN and the Asia-Pacific Economic Cooperation (APEC) which it joined late last year. The Jackson-Vanik waiver, coupled with a trade agreement, will bring home to Vietnam the advantages of this commitment as it qualifies for Normal Trading Relations status with the United States.

3. The waiver promotes the activities of US corporations that facilitate the socio-political reform process. Engagement is the most effective way for the United States to contribute to real improvements in human rights, workers rights and the standard of living in Vietnam. With the Jackson-Vanik waiver supporting Ex-Im and OPIC operations and the completion of the trade agreement, US companies can increase their engagement and improve their competitive position.

The presence of U.S. companies abroad helps to promote the values we as a nation espouse, including human rights, environmental protection and fair labor standards. U.S. companies train workers and transfer technology more readily than any of their competitors. American companies promote democratic values, set a positive example, and improve the general quality of life by providing fair pay, safe working conditions, and health and education benefits. Please note that these efforts to promote American values help our companies become more profitable in foreign countries. Open societies and economies are more transparent and wealthy, creating more opportunities and customers for American goods and services.

American foreign investment is an extremely effective means of advancing economic and social development, and should not be abandoned in favor of measures which have no chance of success. Indeed, impeding what economic engagement America has with Vietnam by revoking the Jackson-Vanik waiver will have no positive impact on the daily lives of the people there and may, in fact, hurt the cause of political reform by removing an incentive for liberalization.

The Jackson-Vanik Waiver is an essential component for continued progress in the bilateral relationship and the advancement of US commercial and socio-political interests in Vietnam. For these reasons, the US business community stands firmly in support of the waiver.

Thank you for the opportunity to share my thoughts with you today.

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Chairman CRANE. Thank you. For the entire panel, how do you think the Vietnamese would respond if the President's Jackson-Vanik waiver were overturned?

Mr. THANG. Mr. Chairman, we are not talking about denying Vietnam permanently that waiver. We are only suggesting that we should postpone the approval of the waiver until after Vietnam has taken steps to reform its system, very corrupt system.

Other presenters have mentioned about disadvantages to United States companies in doing business in Vietnam without the waiver. However, I think that the greater disadvantage is caused by corruption. It is illegal under our law to pay bribes to foreign governments. It is not the same standard for other ASEAN companies doing business in Vietnam. We're being placed at disadvantageous situation there.

I am just asking that we should request preconditions to granting the waiver to Vietnam. That would be an incentive for Vietnam to move forward with reforms.

Ms. FOOTE. I obviously have a different view. I think it would be an enormous shock to Vietnam if we did not renew the Jackson-Vanik waiver. I think it would send the bilateral relationship into a complete tailspin. It is a small thing in that it does not, unlike China, it does not grant Vietnam MFN status. In a sense, we have not achieved a lot of what Jackson-Vanik will be about a year from now. Ex-Im and OPIC have small programs going on in Vietnam. They are not big programs.

On the other hand, it is a crucial part of the overall process of normalization that has been worked on by the two governments together for 10 years. It has been step-by-step, inch-by-inch sometimes. To now pull out a piece that was worked on so hard and which has proven to have been the right decision a year ago, there are, as Ambassador Peterson and Senator Kerry pointed out, there are concrete things to point to that have happened in the last year on POW issue, on emigration, and on trade, that have been steps very much in the right direction, very much in favor of continuing the normalization process. For us to pull out this peg now I think would be devastating.

Chairman CRANE. Mr. Hwing.

Mr. HWING. Sir, I think it is a good opportunity for the United States to have some sort of trade with Vietnam, because Vietnam in general has suffered badly during the war. So now I think it is about time to reconcile and then get things back on track.

Thank you, sir.

Chairman CRANE. Mr. Johnson.

Mr. LIONEL JOHNSON. Mr. Chairman, I think that the waiver of the Jackson-Vanik with regard to Vietnam undergirds the very important relationship that we have between our two countries, a relationship that is clearly at a crossroads. We have a great opportunity to continue moving it forward toward full normalization.

I would agree with Ms. Foote that the denial would set our relationship back many, many years, and I think would send a signal to Vietnamese reformers that their efforts have not been understood and appreciated in the West, and particularly by the United States, a country with whom most Vietnamese would like to have a very strong bilateral relationship.

Chairman CRANE. Mr. Bower.

Mr. BOWER. I would just say that it is not easy work being involved in the process of change. Vietnam is clearly a country that is undergoing enormous change right now. U.S. companies by being involved and the U.S. Government by their involvement, led by Pete Peterson, are doing very hard work. We need the Jackson-Vanik waiver to be able to do that hard work. If we failed to renew, I think the Vietnamese would—we would be sending them a mixed signal that would not only send efforts to extend cooperation and engagement backward probably several years, but it would also send the same signal, as I mentioned in my testimony, to their neighbors in Southeast Asia, which as I hope I have made the case, is a very important market to this country, and will be the source of a lot of creation of jobs and wealth for us and for them in the coming decade.

Chairman CRANE. Thank you.

Mr. Rangel.

Mr. RANGEL. Mr. Johnson, what effort, if any, is Citibank conducting in normalization of our trade relations with Cuba?

Mr. LIONEL JOHNSON. I think what we have done with regard to Cuba, I think has to be regarded in the context of our overall efforts to bring some rational thinking and new thinking, fresh approach to the use of unilateral economic sanctions as an instrument of foreign policy. We have, over the last 3 years since I have been in this position, been a leader of USA Engage Coalition, which has been in the forefront, Mr. Rangel, of efforts to change the means by which the U.S. Government, that is, the executive branch and the legislative branch, impose sanctions.

Mr. RANGEL. That's generally. But have you done anything specifically as it relates to Cuba?

Mr. LIONEL JOHNSON. As it relates to Cuba, we have participated in a number of discussions here in Washington and in the community in Florida, where we have a large operation, about the political developments there. We have not, however, we do not have operations, we do not have a presence clearly in Cuba. But we have been in the forefront of the dialog that has been taking place in policy circles here in the United States to take a fresh approach to the use of sanctions and particularly with regard to the Helms-Burton law, which we regard as—

Mr. RANGEL. Please send to me all of the efforts that Citibank has made as it relates to Cuba.

[The information was not available at the time of printing.]

Mr. RANGEL. Ms. Foote, what is the requirement to be a member of the council that you represent?

Ms. FOOTE. Membership dues. It is a membership organization, like other bilateral trade associations.

Mr. RANGEL. They must have a vested interest in businesses in Vietnam or just an interest in wanting to do business in Vietnam?

Ms. FOOTE. I would say most of our members are actually doing business or have an office in Vietnam. They may be representative offices. They might not have contracts yet, but they are certainly all interested in doing business there.

Mr. RANGEL. But would some of these be multinationals doing business in other countries?

Ms. FOOTE. I would say all of them are multinationals.

Mr. RANGEL. My question to you and Mr. Bower will be very much what I am asking Mr. Johnson. That is, most everything that you have said about the good that can come to the Vietnamese people through exchange and engagement and trade, and I assume that the same thing should apply to Cuba.

Ms. FOOTE. I don't know much about the Cuba relationship, but I do know that I have been asked by—

Mr. RANGEL. When did you learn about Vietnam, when they hired you? I mean did you have any training at all in trade and what it means or is it just that you—

Ms. FOOTE. On international trade issues. I only learned about Vietnam starting 10 years ago when I was part of founding the organization. Actually there are quite a few companies that are interested in forming a similar council to the United States-Vietnam Trade Council who have come to me recently asking for information on what are the similarities, how did we operate.

Mr. RANGEL. But you are an international trade expert, not just one?

Ms. FOOTE. I would say I have become a Vietnam trade expert, though.

Mr. RANGEL. But you put in your testimony the countries that we don't have—

Ms. FOOTE. Yes. There is a list of non-MFN countries, yes.

Mr. RANGEL. I'm asking, do you know of any reason why all of the good that can come to Communist Vietnam, why the same thing wouldn't apply to Communist Cuba?

Ms. FOOTE. Personally, I agree with you.

Mr. RANGEL. Mr. Bower

Mr. BOWER. I agree too. I think Lionel Johnson mentioned the effort through USA Engage to fight sanctions. I would stand up behind this engagement argument. I, like Ms. Foote, am not familiar in detail about the Cuba relationship, spending most of my time on Southeast Asia, but I think we could give a lot of examples to people who were interested in Cuba about how engagement has really facilitated change in the countries that I work on.

Mr. RANGEL. It is my personal and political opinion that trade associations could enhance their credibility if they brought to this Congress how expanded trade and engagement helps the United States of America rather than the specific self interests that businesses would have as it relates to a particular country. Because it could very well be that if you are paid just to represent countries

in order to expand their trade and profits, then the argument as to what good it is to America as opposed to what good it is to your clients may be lost.

But if indeed what you are saying is that for a better world and a stronger America, that what you are saying about Vietnam is true with most countries that we are trying to expand our influence by showcasing American capitalism, then we would know that in addition to representing your clients, that you are representing the best interests of the United States.

I think businesses, unlike politicians, who have to go for votes, don't have to bend to what's popular, but can stick to what really works for business and explaining what works for us.

Thank you all so much for your testimony.

Dr. Thang.

Mr. THANG. Yes. I would like to request 1 minute to make a comment on the previous question by the Chairman. I agree with Ms. Foote that disapproval of the waiver at this moment would send a shock to the Vietnamese Government. I believe that it is time for the Vietnamese Government to get a shock treatment. Here are the reasons why. Vietnam, based on some of the statistics that I have here, Vietnam has the highest piracy rate in the world, standing at 97 percent. Vietnam is the least transparent system in the region. Vietnam has the least freedom of the press in the region, much worse than even China, Communist China.

I would like to quote some of the authorities on Vietnam issues. For instance, Edouard Wattez, the UNDP representative in Hanoi, in an interview with South China Morning Post in November 1998, said that "Ironically and worrisome when looking back, the pace of reform appears to have slowed since 1993, when aid began to arrive in large amounts to Vietnam."

Another quote from former Prime Minister of Vietnam, Pham Van Dong, "There are many bad people who occupy high positions in the party, state organs, and mass organizations, who have power in their hands. They are degraded, they are chasing power, money, and benefits." That statement was made on May 15, 1999.

Finally, a statement by the representative of the European Union, Wolfgang Erck. "Reform policy has been slowed down and economic policy is less courageous than it was at the beginning of the nineties. We have the impression that there is less tolerance now, more limitations for the press and religious communities, and we have concerns of other sectors such as political prisoners." He made this statement last week.

To wrap up, I believe that it is time to send a very strong signal to Vietnam that they will have to be very serious, they cannot thumb their nose at us. They cannot flaunt our laws. They cannot continue to victimize the refugees. Corruption, the rampant corruption in the emigration process, may undermine our national security.

Thank you, Mr. Chairman.

Chairman CRANE. I want to thank you, and I want to thank all of the witnesses for your presentations today. We appreciate the input, and just because you won't be sitting in a panel before the Subcommittee does not mean we don't want your ongoing input. So please stay in communication with us all.

With that then, let me adjourn this panel and invite our final panel to come to the dias: Trung Trinh, executive director, Vietnamese American Business Council; Diem Do, cochairman, Coalition Against the Jackson-Vanik Waiver; L. Craig Johnstone, senior vice president, International, Economic, and National Security Affairs, U.S. Chamber of Commerce; Lynn O'Shea, New York State director, National Alliance of Families for the Return of America's Missing Servicemen, and Greig Craft, vice chairman, Asia-Pacific Council of the American Chambers of Commerce.

If you will all be seated in the order in which I introduced you. Let me remind you all again, if you can please keep your oral presentations to 5 minutes or less. Your written statements will all be made part of the permanent record. We will proceed in the order in which I presented you.

Mr. Trinh, you are first.

**STATEMENT OF TRUNG TRINH, EXECUTIVE DIRECTOR,  
VIETNAMESE AMERICAN BUSINESS COUNCIL**

Mr. TRINH. Good afternoon, Chairman Crane, and Congressman Rangel. My name is Trung Trinh. I am the executive director of the Vietnamese American Business Council. Thank you for giving me the opportunity to speak with you on the United States-Vietnam trade relations.

VABC was established in 1998 to provide members with networking opportunities in order to develop businesses in Vietnam. VABC members are small and medium-sized American companies, many of which have been doing business in Vietnam since the lifting of the United States trade embargo in 1994. A list of our members and individuals of VABC has been provided with our written statement.

I came to this country in 1981 as a refugee. I settled in Northern Virginia with my family and worked for the Fairfax County government for 8 years as a human resources specialist, and then for various organizations and companies before starting my own business in 1990. As a Vietnamese-American entrepreneur, I was excited at the decision of the United States Government to lift the trade embargo with Vietnam in 1994. Seeing the potential, I decided to go back to Vietnam to explore business opportunities.

In 1995, I opened and operated the first American product showroom in Ho Chi Minh City with the cooperation of the Foreign Trade and Investment Development Center in that city. One of the goals of the showroom was to provide small and medium-sized American companies with a cost-effective way to display and market their products there. The showroom was not successful for a number of reasons. The most obvious reason was the lack of financing. Vietnamese buyers could not afford to buy the products. Hopefully, this problem will be alleviated with the help of OPIC and Ex-Im Bank.

I was also involved with the negotiation of a joint venture project to set up an aircraft component repair and overhaul station in Vietnam. The negotiation was successful. A business cooperation contract was signed between an American company and a Vietnamese aircraft repair station. However, the project has been canceled due to the lack of financing on the American part.

Lately, recognizing the need for business training in Vietnam, myself and a number of organizations in the United States have implemented a hotel management internship program in which Vietnamese students are placed in an on-the-job training program in the United States. The program has been very successful and it's still going on.

During the course of doing business in Vietnam, I recognized the challenges and the frustration of small and medium-sized American companies in developing business in Vietnam. One of the main reasons is the lack of money in Vietnam for financing and for the purchase of American goods and services. My former country remains a poor country over 25 years after the war. Another reason is the lack of practical experience in Vietnam. Small American companies cannot afford to put the people on the ground in Vietnam for a long period of time just to gain the experience.

VABC was founded in February 1998 by a group of American companies and entrepreneurs. It is a response to the need that I saw in trying to do business in Vietnam just after the embargo was lifted. VABC provides a vehicle for our small and medium-sized members to share their experiences and avoid costly mistakes. In spite of difficulties in doing business in Vietnam, VABC and its members are committed to pursuing business opportunities in Vietnam. Our members are currently involved in over 15 projects. I have submitted a list of the more important projects to the Subcommittee.

Trade is a two-way street. For Vietnam to do business with the United States, it needs hard currency that it will only obtain by economic development. Exports will play a larger role in this development. By normalizing the trade relations with Vietnam, Vietnam will be able to export. By exporting, Vietnam will be able to afford American products and services which they want very much. Therefore, we urge you to consider the renewal of the waiver of the Jackson-Vanik amendment, and that you support the successful negotiations of the bilateral trade agreement.

We believe that a mutually beneficial trade relationship is important to both countries and should be given a high priority. We should stop dwelling on the past and move forward to the future. Again, I appreciate the chance to speak in front of you on behalf of the Vietnamese American Business Council.

Thank you.

[The prepared statement follows:]

**Statement of Trung Trinh, Executive Director, Vietnamese American Business Council**

Good morning. My name is Trung Trinh. I am the Executive Director of the Vietnamese American Business Council (VABC). Thank you for giving me this opportunity to speak with you on US Vietnam trade relations.

VABC was established in 1998 to provide its members with networking opportunities in order to develop businesses in Vietnam. VABC members are small and medium-sized American companies many of which have been doing business in Vietnam since the lifting of the US trade embargo in 1994. A list of the member companies and individuals of VABC has been provided with our written statement.

I came to this country in 1981 as a refugee. I settled in Northern Virginia with my family and worked for the Fairfax County government for 8 years as a Human Resource Specialist and then for various organizations and companies before starting my own business in 1990.

As a Vietnamese American entrepreneur, I was excited at the decision of the US government to lift the trade embargo with Vietnam in 1994. Seeing the potential, I decided to go back to Vietnam to explore business opportunities.

In 1995, I opened and operated the first American product showroom in Ho Chi Minh City with the cooperation of the Foreign Trade and Investment Development Council of the city. One of the goals of the showroom was to provide small and medium-sized American companies with a cost-effective way to display and market their products there. The showroom was not successful for a number of reasons. The most obvious reason was lack of financing. Vietnamese buyers could not afford to buy the products or set up inventories. Hopefully, this problem will be alleviated with the help of OPIC and the EXIM Bank.

I was also involved with the negotiation of a joint venture project to set up an aircraft component overhaul and repair station in Vietnam. The negotiation was successful. A Business Cooperation Contract was signed between the American company and a Vietnamese aircraft repair station. However, the project has been cancelled due to the lack of financing.

Lately, recognizing the need for business training in Vietnam, I have implemented a Hotel Management Internship program in which Vietnamese students are placed in an American On the Job Training program. This program has been very successful.

During the course of doing business in Vietnam, I recognized the challenges and the frustrations of small and medium-sized American firms in developing business opportunities there. One of the main reasons is the lack of money in Vietnam for financing and for the purchase of US goods and services. My former country remains a poor country over twenty years after the war. Another reason is the lack of practical experience in Vietnam. Small US companies cannot afford to put people on the ground in Vietnam for long periods just to gain experience.

VABC, which was founded in February of 1998 by a group of American companies and entrepreneurs, is a response to a need that I saw in trying to do business in Vietnam just after the embargo was lifted. VABC provides a vehicle for our small and medium-sized company members to share their experiences and avoid costly mistakes.

In spite of difficulties in doing business with Vietnam, VABC and its members are committed to pursuing business opportunities in Vietnam. Our members are currently involved in over 15 projects. I have submitted a list of the more important projects to the Committee.

Trade is a two way street. For Vietnam to do business with the US, it needs hard currency that it will only obtain by economic development. Exports will play a large role in this development. By normalizing the trade relations with Vietnam, Vietnam will be able to export and by exporting Vietnam will be able to afford American products and services, which they want very much.

Therefore, we urge you to consider the renewal of the waiver of the Jackson-Vanik amendment and that you support the successful negotiation of the bilateral trade agreement.

We believe that a mutually beneficial trade relationship is important to both countries and should be given a high priority. We should stop dwelling in the past and move forward.

Again, I appreciate the opportunity to speak on behalf of the Vietnamese American Business Council.

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### **Attachment A**

#### **PARTIAL LIST OF VABC'S MEMBERS AND ASSOCIATES**

- Ablondi, Foster, Sobin and Davidow, Washington DC
- Charter Resources International, LC, Richmond, VA
- Council on International Educational Exchange, Hong Kong
- Engineering Management Services, Inc., Vienna, Virginia
- Global Spectrum, Washington DC
- J.R. Short Milling Co., Chicago, IL
- MC Pacific, Westminster, California
- Ocoran Corporation, Arlington, Texas
- Pacific Affairs Associates, Honolulu, Hawaii
- Pacific Trading Company, Portland, OR
- Peter Vogt & Associates, Inc., Washington DC
- Prolific Systems, Fremont, California

- PV Hotel International Consultants, Washington DC
- SouthEast Services, Westminster, California
- Vietnam Development Partners, LLC, Denver, Colorado
- Vietnam Resource Group, Washington DC
- VINA Express Corporation, New York, New York
- Vitech, Seattle, Washington
- Worldwide Marketing Group, Inc., Rockville, Maryland

*Individual Members:*

- Leo Dorsey, Harrisburg, PA
- Jeff Farrell, Coldwell Banker, Santa Barbara, CA
- Quang Nguyen, San Jose, CA
- Phung Vu, Washington DC

*Non-resident Members:*

- Central Club of Directors, Ha Noi, Vietnam
- Hoang Le Corporation, Ha Noi, Vietnam.
- Phuong Hong Pte., HCM City, Vietnam

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## Attachment B

### TYPICAL PROJECTS COORDINATED BY VABC MEMBERS

*Completed Projects:*

- Project Management Training for Vietnamese officials, funded by the World Bank in 1994 (*Engineering Management Services, Vienna, VA*)
- Export Training in Ha Noi in 1994 and in 1998 (*Ablondi, Foster, Sobin and Davidow, Washington DC*)
- Opened and operated the first American Product Showroom in Vietnam in 1995–1996 (*Vietnam Resource Group, Washington DC*).
- Opened the first US travel agency in Vietnam in 1997 (*Global Spectrum, Washington DC*)
- Successfully negotiated a business cooperation contract to set up and operate an aircraft component Repair station in Vietnam in 1997 (*Vietnam Development Partners, LLC, Denver, CO*)
- Hosted various trade delegations from Vietnam (*Vietnam Resource Group*).
- Coordinated 8 trade missions to Vietnam for small and medium sized American companies (*Vietnam Resource Group*).
- Coordinated an internship program for Vietnamese students in Orlando, Florida in 1997 (*PV Hotel International Consultants, Washington DC*)

*Current Projects:*

- Coordinate with the Training Center of the Ministry of Planning and Investment to set up a training program designed to provide Vietnamese executives with business management training.
- Cooperate with the Department of Planning and Investment both in Ha Noi and HCM cities to organize a Conference on Trade and Investment in which American companies could be issued business licenses to explore the market without going through time-consuming bureaucratic procedures.
- Continue working to introduce various trade shows in the US to Vietnamese companies.
- Proposal for a documentary film promoting a new Vietnam
- Import food products from Vietnam
- Introduce MBA training programs to Vietnam
- Promote educational exchange programs.
- Continue developing internship programs in different fields ie: Hotel/Tourism, Agriculture, Information Technology, Banking.

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Chairman CRANE. Thank you, Mr. Trinh.  
Mr. Do.

**STATEMENT OF DIEM H. DO, COCHAIRMAN, COALITION  
AGAINST THE JACKSON-VANIK WAIVER, WESTMINSTER,  
CALIFORNIA**

Mr. DO. Mr. Chairman, Congressman Rangel, first I would like to express my appreciation for the opportunity to address this Subcommittee today. I would like to summarize my extended testimony which has been submitted to the Subcommittee. The Coalition Against Jackson-Vanik Waiver, representing 30 organizations and communities across the Nation, strongly opposes the waiver of the Jackson-Vanik amendment for Vietnam for the following reasons:

First, the Vietnamese Government has not made sufficient progress toward free emigration to warrant the waiver. Second, the Vietnamese Government continues to deny its citizens all basic human rights. Third, Vietnam's transition to a market economy has slowed down significantly and remains incomplete.

Now I would like to elaborate more on the reasons why we oppose the waiver.

On free emigration, Vietnam claimed that it had dropped the exit permit requirement in the ROVR Program. This is a step toward satisfying the free emigration requirement under Jackson-Vanik amendment. The reality is that Vietnam has not dropped its requirement for exit permits. It has only delayed this requirement until after the applicant is interviewed and approved by the U.S. interviewing team, at which time the problem with exit permits will resurface.

In addition, a large number of eligible applicants have been denied exit permits or not processed because they are former political prisoners, former U.S. Government employees, or religious leaders.

On human rights, the very first sentence of section 402(a) of the Trade Act of 1974 said that the amendment is to assure the continued dedication of the United States to fundamental human rights. With that in mind, clearly Vietnam's human rights record does not warrant the waiver of the Jackson-Vanik amendment.

Just 2 months ago on April 19, 1999, the Vietnamese Government issued Administrative Decree 26, titled "Decree of the government concerning religious activities." In this 29-article-long decree, the Vietnamese Government laid out some serious restrictions on religious freedom. This contradicts both Senator Kerry and Ambassador Peterson's observation that religious freedom has improved. Following are just two examples of the most blatant violations committed by this decree.

Article 20 dictates that the consecration of those who carry the title of Hoa Thuong in the Buddhist religion, of cardinals, bishops, administrators in the Catholic Church, and of dignitaries of equivalent function of other religions, must receive the approval of the prime minister. Article 25 of the same decree dictates that in order to organize a particular gathering within a place of worship, it is necessary to obtain authorization from the president of the People's Provincial Committee. Just weeks after the Administrative Decree 26 was issued, on May 7, 1999, Reverend Tran Dinh Ai and 19 others from the Vietnamese Assemblies of God Church were detained after police burst in on their second day of a 3-day spiritual retreat and bible study session in Hanoi. Currently, Reverend Tran Dinh

Ai is still being detained. He is currently, seeking help for himself and his family to leave the country.

It is important to note that human rights violations in Vietnam are not limited to religious freedom. Two years ago, on April 14, 1997, the Vietnamese Government issued administrative decree 31, titled "Government administrative detainment policy," which gives the police the power to detain anyone suspicious of infringing on the national security from 6 months up to 2 years without trial. Numerous well-known and outspoken dissidents have fallen victim to this draconian decree.

On transition to a market economy, one of the reasons that the United States chose to pursue the policy of engagement with Vietnam is to facilitate Vietnam's transition to a market economy. Such a transition can be beneficial to both countries. However, since the lifting of the trade embargo, Vietnam's economic reform has slowed down significantly to the point of inaction. In an article on May 21, 1999, Ari Kokko, a Vietnam expert from the Stockholm School of Economics said that, "I think the lack of reform has made it clear Vietnam is really still a command economy at heart in spite of the changes over the past years." Even our Ambassador Peterson was quoted in the same article that, "Vietnam had an opportunity to seize some initiative, but Vietnam failed to do so because it became frightened about the impact of such reform, and they essentially opted for the status quo."

In conclusion, Vietnam has clearly regressed, not progressed. Waiving the Jackson-Vanik amendment now and then hope and pray that the Vietnamese Government will reform just does not work. With billions of dollars already invested, it is time to take a more effective approach. Pressure must be applied. The United States should use economic leverages to exchange for concrete, verifiable steps toward reforms. We strongly believe that waiving the Jackson-Vanik amendment now is premature. The Jackson-Vanik waiver should only be given after Vietnam reciprocates with measurable steps toward full economic and human rights reforms.

Thank you.

[The prepared statement follows:]

**Statement of Diem H. Do, Cochairman, Coalition Against Jackson-Vanik Waiver, Westminster, California**

Distinguished Members of Congress,

First, I would like to express my appreciation for the opportunity to address this committee today. The Coalition Against Jackson-Vanik Waiver, representing 30 organizations and communities across the nation, strongly opposes the waiver of the Jackson-Vanik amendment for Vietnam for the following reasons:

(1) the Vietnamese government has not made sufficient progress towards free emigration to warrant the waiver,

(2) the Vietnamese government continues to deny its citizens all basic human rights, and

(3) Vietnam's transition to a market economy has slowed down significantly and remains incomplete.

Maintaining the Jackson-Vanik amendment in the case of Vietnam will help to put pressure on the Vietnamese government for more concrete reforms in the areas outlined above. Now, I would like to elaborate more on the reasons why we oppose the waiver.

## FREE EMIGRATION

Vietnam claimed that it had dropped the exit permit requirement in the Resettlement Opportunity for Vietnamese Refugees (ROVR) program. This is a step towards satisfying the free emigration requirement under Jackson-Vanik amendment.

The reality is that Vietnam has not dropped its requirement for exit permit. It has only delayed this requirement until after the applicant is interviewed and approved by the U.S. interviewing team, at which time the problem with exit permit will resurface. In addition, a large number of eligible applicants have been denied exit permit or not processed because they are former political prisoners, former U.S. government employees or religious leaders.

Beside administrative roadblocks, pervasive corruption at all levels of government creates additional obstacles to free emigration. In many instances, applicants to U.S. resettlement programs are demanded huge amount of money that they cannot afford. This in effect violates the spirit of the Jackson-Vanik amendment that requires a country not to impose "more than a nominal tax, levy, fine, fee, or other charge on any citizen as a consequence of the desire of such citizen to emigrate to the country of his choice."

## HUMAN RIGHTS

The very first sentence of section 402(a) of the Trade Act of 1974 said that the amendment is "to assure the continued dedication of the United States to fundamental human rights..." With that in mind, clearly Vietnam's human rights record does not warrant the waiver of the Jackson-Vanik amendment.

Just two months ago, on April 19, 1999, the Vietnamese government issued Administrative Decree 26, titled Decree of the Government Concerning Religious Activities. In this 29-articles long decree, the Vietnamese government laid out some serious restrictions on religious freedom. Following are examples of the most blatant violations committed by this decree:

Article 20 dictates that "the consecration of those who carry the title of 'Hoa Thuong' in the Buddhist religion, of cardinals, bishops, administrators in the Catholic Church, and of dignitaries of equivalent function of other religions, must receive the approval of the Prime Minister."

Article 21 reads that "the nomination and transfer of clergy, religious and specialists in religious activities must obtain the approval of the Peoples Committee whose administrative management covers the territory of their activities."

Article 24 requires that "religious organizations and officials, in order to invite to Vietnam religious organizations and officials from abroad, must obtain the authorization of the Bureau of Religious Affairs."

Article 25 dictates that "in order to organize a particular gathering within a place of worship, it is necessary to obtain authorization from the President of the Peoples' provincial committee."

Just weeks after Administrative Decree 26 was issued, on May 7, 1999, Reverend Tran Dinh Ai and 19 others from the Vietnam Assemblies of God Church were detained after police burst in on their second day of a three-day spiritual retreat and bible study session in a Hanoi hotel. Of this 20 people, 18 were released on May 9, 1999 after being charged with breach of the peace. The remaining two, Evangelist pastor Lo Van Hen's whereabouts were currently unknown and Reverend Tran Dinh Ai is still being detained in a hotel with four guards. He has appealed for help for himself and his family to leave the country.

It is important to note that human rights violation in Vietnam is not limited to religious freedom. Two years ago, on April 14, 1997, the Vietnamese government issued Administrative Decree 31, titled Government Administrative Detainment Policy, which gives the police the power to detain anyone suspicious of "infringing on the national security" from 6 months up to 2 years without trial.

More recently, Reuters reported on 5/20/99 that the government "has amended its strict press law to tighten state control over official media and set rules that all reporting must be of benefit to the country." Not only they clamped down on free speech for every citizen, the Vietnamese Communist Party restricted their own party members' free speech. On 6/7/99, the Associated Press reported that the Politburo decided to ban party members from "distributing documents that question party policies and decisions, and may not write anonymous letters or make accusations against people they disagree with."

## TRANSITION TO A MARKET ECONOMY

One of the reasons that the United States chose to pursue the policy of "engagement" with Vietnam is to facilitate Vietnam's transition to a market economy. Such

a transition can be beneficial to both countries. However, since the lifting of the trade embargo in 1994 and more recently since the Jackson-Vanik waiver in 6/98, Vietnam's economic reform has slowed down significantly to the point of inaction.

In a Reuters article on 5/21/99, Ari Kokko, a Vietnam expert from the Stockholm School of Economics, said: "I think the lack of reforms has made it clear Vietnam is really still a command economy at heart, in spite of the changes...over the past few years." That same article also reported that investors still moan about incomplete laws, tough foreign exchange rules, tight labor laws, lengthy licensing procedures, restricted access to certain sectors of the economy, corruption and a lack of infrastructure.

Even our Ambassador Pete Peterson was quoted in the same article that Vietnam had an opportunity to seize some initiative, "but Vietnam failed to do so because they became frightened about the impact of such reforms and they essentially opted for the status quo."

In an article on 5/25/99, reporter Ken Dilanian of the Inquirer quoted Kazi Matin, chief economist of the World Bank in Vietnam, that "the economy is certainly in a tailspin," and "(new) foreign investment has virtually disappeared." In fact, big companies are leaving Vietnam in droves such as Cigna and Chrysler just to name a couple.

The same article reported that there is still a state board that sets the prices of staple products such as cement and steel. In fact, Mr. Bradley LaLonde, director of Citibank's Vietnam operations, who testified last year before this same committee in favor of waiving the Jackson-Vanik amendment, was quoted in that same article saying that "Vietnam is run by a group of people who are resistant to change. They want a government-controlled economy."

Clearly, investors are becoming increasingly disillusioned with a government that makes Vietnam one of the world's most frustrating places to do business. Obviously, pressures are needed to push Vietnam forward in the transition to a market economy.

#### CONCLUSION

For more than a decade, foreign investors and the international community have been pouring money into Vietnam with little success. That is because there is no real pressure to force the Vietnamese government toward a more long-term and constructive path of reform. The approach taken by the Vietnamese government since 1986 has been more to stave off their own collapse rather than rescuing the country.

Waiving the Jackson-Vanik amendment now, and then hope and pray that the Vietnamese government will reform just does not work. With billions of dollars already invested in Vietnam, it is now time to take a different approach so that long-term growth and a business friendly environment can be ensured. Pressures must be applied so that the right course and the right pace of reform are taken. The United States should use economic leverages such as the Jackson-Vanik Waiver, MFN status, other forms of preferential tariff treatment and other benefits such as EXIM, OPIC, TDA...to exchange for concrete, verifiable steps toward reforms.

We strongly believe that waiving the Jackson-Vanik amendment for Vietnam without any real, tangible concessions from Vietnam is premature at this point. Trade benefits should only be given when Vietnam reciprocates with measurable steps toward full economic and human rights reforms.

In summary, I believe that free trade does not mean trade at any cost and without conditions. In the case of Vietnam, certain conditions must be met in order for meaningful, long lasting trade relations to develop. The guiding principle of our country has always been cooperating and partnering with free government, free country where human rights and values are respected. Let's not betray that principle by making Vietnam an exception.

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Chairman CRANE. Thank you.  
Mr. Johnstone.

#### STATEMENT OF L. CRAIG JOHNSTONE, SENIOR VICE PRESIDENT, INTERNATIONAL, ECONOMIC AND NATIONAL SECURITY AFFAIRS, U.S. CHAMBER OF COMMERCE

Mr. CRAIG JOHNSTONE. Thank you, Mr. Chairman. Particular thanks to you and the Members of this Subcommittee for giving the

U.S. Chamber of Commerce the privilege of testifying before you on Vietnam and on the extension of the Jackson-Vanik waiver. I also want to thank the American Chamber of Commerce in Vietnam for the hard work it has done to promote U.S.-Vietnam trade, and to thank the Asia-Pacific Association of American Chambers of Commerce for the strong support they have given to analysis and advocacy on this issue.

I am not going to belabor the points I have made in my written testimony. Allow me to highlight the essential elements. First, the U.S. Chamber of Commerce strongly supports the extension of the waiver of Jackson-Vanik. Extension makes good business sense. It contributes to the creation of jobs in our own country and in Vietnam. It allows us to compete fairly with other countries, countries that would continue to do business with Vietnam even if we did not.

Second, the U.S. Chamber is strongly supportive of the efforts of our trade negotiators to work out a bilateral trade agreement with Vietnam. We understand that these negotiations have made good progress. If a good agreement is reached, and by that I mean an agreement that would truly open Vietnamese markets to U.S. goods, the Chamber will be in the forefront of those giving it our support.

Third, we would hope that we can move toward Vietnam's accession to the WTO, a process that would bring Vietnam more fully into the community of international trading nations in ways that would further open markets and create jobs in America. Our position on these three objectives is unambiguous.

But quite frankly, these are not the neuralgic issues in the United States-Vietnam relationship. There are three major other issues that transcend the business interests. First is the issue of our POWs and MIAs. I served as the United States Government negotiator with the Vietnamese Government in Paris from 1978 to 1980. I am all too familiar with this issue and the cruel and insensitive way in which the Government of Vietnam manipulated it to seek political advantage. I have nothing but contempt for how the matter was handled in its early days by the Vietnamese Government. But there has been a wholesale change in Vietnamese conduct on this issue. I can't speak in detail in the same sense that Ambassador Peterson was able to on this issue, but quite frankly, if he, our Ambassador to Vietnam and a former prisoner of war, is satisfied that the best way to get full accountability on POWs and MIAs is by staying the course in our Vietnam relationship, then that is good enough for me, and I think it ought to be good enough for just about everyone.

Second, on human rights. This, in my view, is also not a close call. We do not approve of many of the policies of the Government of Vietnam and how it conducts itself. Read through the State Department Human Rights Report and ask yourself whether you could condone all of the actions of the Government of Vietnam. No American could. But this isn't really the issue. We have a choice of working to integrate Vietnam more fully into the community of nations, chipping away at bad practices and letting the power of open markets and open communications stimulate the growth of democracy. Or we can reverse course and try to coerce or isolate

Vietnam. Quite frankly, coercion and isolation offer no chance of success. By all accounts, openness and integration are working slowly, but tangibly. We need to stay the course, not despite our human rights concerns, but because of them.

Finally and most importantly, there is a legacy of the war. It hangs over us all. I worked in Vietnam from 1965 to 1970. My first job there was in Chau Doc Province, where I was assigned with one other civilian and the Special Forces A Team. My job was to advise the local Vietnamese Government and to assist refugees fleeing communism in the mountain areas of Chau Doc. The Special Forces team commander was Major John Arnn, a wonderful man who took me, fresh out of college, under his wing and taught me how to survive in an often hostile environment. He became my first and best friend in Vietnam.

In December 1965, Major Arnn volunteered to deliver some supplies to one of my refugee camps. On the way, he was ambushed and killed. Around Memorial Day each year, I visit the Vietnam Memorial and touch his name on the wall, along with the names of other dear friends that died in the war. It would be easy for me to say forget Vietnam, keep it isolated, we owe that to the men and women who fought and died there. Quite frankly, that was my view for some time. I will admit to you that it was fueled in part by my conviction and resentment that we lost that war.

The military historians describe Vietnam as a war in which we won all the battles and lost the war. But I think they missed the point. Vietnam was not really a war in its own right. It was one of the many battles in the cold war. A better way of looking at it is to recognize that we lost the battle, but we won the war.

The issue before us is whether to live in the past, dwelling on the lost battle, or to move to consolidate the gains of cold war victory. We won the cold war. Will we win the winning? Engagement, trade, steady pressure on democracy and human rights, accountability on POWs and MIAs, increased contacts and exchanges, these are the tools needed to win the cold war winning. We do not honor our Vietnam heroes by trying to isolate Vietnam. We honor them by realizing the fruits of their hard fought cold war victory.

Thank you.

[The prepared statement follows:]

**Statement of L. Craig Johnstone, Senior Vice President, International, Economic and National Security Affairs, U.S. Chamber of Commerce**

Thank you, Mr. Chairman, for the opportunity to testify today before this Subcommittee on Trade on the critical issue of U.S. trade relations with Vietnam. I am Craig Johnstone, Senior Vice President for International, Economic and National Security Affairs at the U.S. Chamber of Commerce.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector and region. We also count among our members 85 American Chambers of Commerce abroad, including those in Hanoi and Ho Chi Minh City. Since the embargo was lifted in 1994, many of our corporate members are reentering Vietnam for the first time in 20 years. Other members, many of them small and medium-sized businesses, are entering Vietnamese markets for the first time ever.

The U.S. Chamber of Commerce believes that normalization of trade relations with Vietnam is in the long-term interest of the United States. Last year, Congress upheld the Jackson-Vanik waiver for Vietnam when it resoundingly defeated a disapproval resolution by a vote of 260 to 163. The U.S. Chamber of Commerce urges Congress to uphold the Jackson-Vanik waiver again this year.

Although a powerful gesture, the waiver of the Jackson-Vanik amendment for Vietnam is only the first step in normalizing trade relations. The U.S. Chamber of Commerce supports the completion of a bilateral commercial agreement that provides meaningful market access to the American business community. Moreover, we want to integrate Vietnam into the global trading system by broadening and binding its market-opening commitments as a member of the World Trade Organization (WTO).

#### LEGACY OF THE U.S.-VIETNAM CONFLICT

Before discussing future U.S.-Vietnam economic relations, it is imperative to acknowledge our common past. From my own experience, I know that few Americans can address the topic of Vietnam without feeling a strong set of emotions. Many U.S. citizens still struggle with the idea that we should see Vietnam as more than just a war, but as a country and a people of considerable potential.

The U.S. Chamber of Commerce is sensitive to the legacy of the U.S.-Vietnam conflict. The U.S. government must continue to assign top priority to obtaining the fullest possible accounting of American servicemen missing from the war. Concerns about emigration, human rights and religious freedom must be discussed openly as well.

The best policy to secure Vietnamese cooperation on these issues is through political and economic engagement. In today's global economy, Vietnam's leaders have no choice but to participate in and adhere to the rules of the international trade and investment community, providing us with significant leverage to effect positive change. The opposite route—turning our back on Vietnam—almost certainly will result in an abrupt end to cooperation, recriminations on both sides, and a strengthening of the position of hard-liners in the Vietnamese government who do not want to open the country to foreign goods and ideas.

In addition, attempting to isolate Vietnam is pointless in light of the number of countries that have already normalized relations with Hanoi. We would risk ceding the potential of this market to competitors in Europe, Japan and the rest of Asia. We also would lose our opportunity to reach out to the younger generation—Vietnamese who were not born when the war ended account for over half of the population—who are receptive to new ideas from outside their country.

#### ENGAGEMENT WITH VIETNAM WORKS

There is strong evidence that engagement with Vietnam works. Since the United States normalized relations with Hanoi, Vietnam has cleared for interview 96 percent of all applicants under the Resettlement Opportunity for Vietnamese Returnees (ROVR) agreement. In the last year alone, the number of outstanding ROVR cases dropped from 1,353 in May 1998 to 79 as of the beginning of this month.

Likewise, the Vietnamese government last year announced that it would permit U.S. officials to interview emigration applications for the Montagnards under the Orderly Departure Program. Since that time, 220 individuals have been cleared by the Vietnamese government for interview by the U.S. Immigration and Naturalization Service.

Cooperation in both of these areas is important in meeting the legal requirements for a waiver of the Jackson-Vanik amendment. The statute is meant to encourage movement toward a free emigration policy in countries with non-market economies. The Vietnamese government has clearly met the conditions for a waiver.

Engagement is working in other areas. With respect to human rights in Vietnam, commercial engagement has yielded some results. At the local level, U.S. Chamber members help to promote fundamental rights wherever they operate by establishing benchmarks for corporate practices in such critical areas as personnel management, corporate citizenship, fairness and equal opportunity. This has had a positive impact on Vietnamese workers and local government officials. Still, despite these positive signs, we are under no illusions that Vietnam has a long way to go on human rights and falls desperately short of our own standards of freedom and democracy.

More importantly, Vietnam has given top priority to cooperating with the United States in seeking the fullest possible accounting of POWs/MIAs. Efforts by the Vietnamese government have resulted in the recovery and repatriation of the remains of several American MIAs in the last year alone. Vietnamese officials also continue to provide the United States with key documentation in other cases.

## POTENTIAL OF THE VIETNAMESE MARKET

Why is the American business community so interested in a country that bristles with tariffs, excise taxes and surcharges, import quotas and other quantitative restrictions such as licenses, and foreign exchange controls?

The answer is simple: the Vietnamese market holds huge potential for American business. At present, two-way merchandise trade is \$830 million. This modest number reflects the fact that the trade embargo was lifted only a few years ago and that the average GNP per capita in Vietnam is barely over \$300, according to World Bank figures. Yet, annual growth rates have averaged 7 percent despite the limitations of a centrally planned economy. This growth rate, coupled with a population of 78 million, the second largest in Southeast Asia, holds large market opportunities over the long-term.

The Vietnamese economy is undergoing a slow transformation from a centrally planned economy to one based on open markets. We will likely be frustrated with the pace of this transformation, but the U.S. Chamber of Commerce has been active in encouraging the Vietnamese government to do more.

In October 1998, U.S. Chamber President & Chief Executive Officer Tom Donohue visited Hanoi as part of a four-nation tour of Asia to assess the impact of the Asian financial crisis. After being briefed by U.S. Ambassador Peterson, Donohue met with two of the most powerful men in Vietnam: Prime Minister Phan Van Khai and Secretary General of the Communist Party Le Kha Phieu. Donohue advised the Vietnamese leaders that American companies want to invest in Vietnam, but are being held back by the country's snail-paced approach to market reforms, corruption, and the lack of transparency in the banking and legal sectors. American capital—desperately needed and wanted in Vietnam—simply will not stay in the country unless it is treated well.

Our affiliate organization—the Center for International Private Enterprise—has been working in Vietnam since 1993 to promote greater understanding of market economics and the benefits that a strong, growing and open private sector can bring to the national economy. Earlier this year, CIPE began assisting the National University of Ho Chi Minh City in airing radio call-in broadcasts on issues of interest to private firms. In addition, CIPE is helping the Vietnam Chamber of Commerce and Industry transform itself into an independent voice of fledgling private entrepreneurs in Vietnam and the leading advocate of further reform.

## JACKSON-VANIK WAIVER

The first step in normalizing trade relations with Vietnam is the Jackson-Vanik waiver. The U.S. Chamber of Commerce strongly believes that the United States should continue to extend the waiver for three reasons:

- *Vietnam has met the legal requirements for the Jackson-Vanik waiver.* As mentioned, Vietnam has cooperated closely with the United States in clearing applicants under the ROVR program.

- *The waiver paves the way for the U.S. Export-Import Bank and the Overseas Private Investment Corporation to operate in Vietnam.* Foreign firms operating in Vietnam already have access to trade promotion programs in their home countries. This has given them a head start over American companies. If the waiver is revoked, access to these trade promotion programs would end, and American companies would once again be placed at a competitive disadvantage in relation to foreign competitors.

- *The Jackson-Vanik waiver enables the negotiation of a commercial agreement.* Maintaining the waiver conveys the message to Vietnam's leadership that the United States is committed to completing the negotiations. Without a commercial agreement, U.S. companies will be unable to obtain meaningful access to the Vietnamese economy.

## POSSIBLE COMMERCIAL AGREEMENT

U.S. companies seeking to do business in Vietnam must contend with a broad range of tariff and non-tariff barriers to goods, services, agricultural products and investment. We have an opportunity to level the playing field by completing a commercial agreement with Vietnam that provides meaningful market access to U.S. companies. Coincidentally, a delegation of 20 Vietnamese negotiators are in town this week to talk with Administration officials about an agreement.

Last November, the U.S. Chamber's Board of Directors identified ingredients for a commercial agreement that would provide meaningful market access to the business community. While those ingredients are summarized below, the Board's entire statement is attached to my written testimony.

- *Reduce tariffs.* Vietnam must agree to significant tariff reductions as part of the commercial agreement.
- *Non-tariff measures.* In the course of negotiating the commercial agreement, Vietnam must agree to publish all non-tariff measures (NTMs). Vietnam must commit to fixed endpoints to phase out the NTMs. A measure not included in this group should not be permitted to be claimed as an NTM later.
- *Trading rights.* Trading rights essentially are a hidden NTM. Vietnam must permit the right to trade in key industries. To the extent that discriminatory trading rights remain, they should be linked to the NTM list.
- *Abolish import licenses and quotas.* These administrative measures add unnecessary costs to doing business, distort market allocations, and encourage smuggling. Furthermore, they are inconsistent with the norms and principles of the WTO.
- *Open service sectors to foreign participation.* Vietnam should permit greater foreign participation in its service sectors, including retail and wholesale distribution, leasing, banking and insurance, telecommunications, professional services and others.
- *Provide full protection of intellectual property rights.* Vietnam must agree to protect U.S. intellectual property rights and proactively combat piracy.
- *Eliminate performance requirements.* Vietnam should agree to refrain from imposing performance requirements (e.g., local content, technology transfer, export requirements) on foreign-invested enterprises.

#### FUTURE STEPS

Once a commercial agreement is completed that provides meaningful access to American business, it will be submitted to Congress for an up-or-down vote. I mention this because it is possible that an agreement could be completed in the near future and that you will be asked to consider it.

Congressional approval of a commercial agreement also will pave the way for the United States to extend normal trade relations (NTR) status to Vietnam. This will further strengthen our leverage over Vietnam. It is important to note that even after a commercial agreement is completed and approved by Congress, the President may still revoke NTR status if he determines that Vietnam is not cooperating with U.S. efforts to achieve a full accounting of military personnel lost during the Vietnam War.

#### CONCLUSION

The U.S. Chamber of Commerce strongly endorses a policy of engagement with Vietnam. We urge Congress to once again uphold Vietnam's Jackson-Vanik waiver. We also encourage Congress to take advantage of visits by Ambassador Peterson, briefings by officials from the Office of the U.S. Trade Representative, and meetings with the business community to become familiar with negotiations over a commercial agreement. We believe we have an historic opportunity here at the end of the millennium to set the U.S.-Vietnam relationship on the path to a constructive and positive future.

Mr. Chairman, this concludes my formal presentation. I would be happy to respond to any questions.

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#### U.S. CHAMBER OF COMMERCE BOARD OF DIRECTORS' STATEMENT ON NORMALIZATION OF TRADE RELATIONS WITH VIETNAM

The U.S. Chamber of Commerce believes that normalization of trade relations with Vietnam is in the long-term interest of the United States. Since 1993, Vietnam has recorded annual growth rates averaging 8 percent despite the limitations of a transitional economy. With a population of 78 million, the twelfth largest in the world, Vietnam has the potential to become a large market for U.S. goods and services if market-opening reforms are implemented.

The United States and Vietnam each must contribute to ensure that normalization of trade relations produces mutual benefits. The United States must continue to waive the Jackson-Vanik amendment for Vietnam. In turn, Vietnam must embark on substantive reforms to foster the development of a free-market economy and to participate fully in the global trading community.

## A. CONTINUED WAIVER OF THE JACKSON-VANIK AMENDMENT FOR VIETNAM

The U.S. Chamber believes that the United States must continue to extend the Jackson-Vanik waiver to Vietnam for the following reasons:

- *Vietnam has met the legal requirements for the waiver.* The Jackson-Vanik amendment is meant to encourage movement toward a free emigration policy in countries with non-market economies. Since the 1980s, Vietnam has allowed the emigration of tens of thousands of its citizens under the Orderly Departure Program. In 1998, the Vietnamese government cleared for interview over 80 percent of the close to 20,000 applicants for emigration under a U.S.-endorsed program known as Resettlement Opportunities for Vietnamese Returnees.

- *The Jackson-Vanik waiver supports U.S. companies.* The waiver paves the way for U.S. companies operating in Vietnam to obtain access to trade promotion programs of the U.S. Export-Import Bank, the Overseas Private Investment Corporation and the Trade Development Agency. The programs are vital to meet the challenges of doing business in Vietnam's emerging market. Without them, Vietnamese companies in many cases could turn to suppliers in Japan and Europe.

- *The Jackson-Vanik waiver enables bilateral negotiations seeking commitments from Vietnam on market access, services, intellectual property and investment.* The United States and Vietnam currently are negotiating a commercial agreement as part of the process for granting Vietnam normal trade relations (NTR). Maintaining the Jackson-Vanik waiver conveys the message that the United States is committed to concluding the trade negotiations, which will include meaningful market access for U.S. companies.

## B. REFORM OF VIETNAM'S TRADE AND INVESTMENT REGIME

The U.S. Chamber believes that Vietnam must start now to reform substantially its trade and investment regime. U.S. companies seeking to do business in Vietnam must contend with a broad range of restrictions including tariffs, excise taxes and surcharges, import quotas and other quantitative restrictions such as licenses, and foreign exchange controls. In addition, the lack of transparent regulations has added administrative burdens to doing business in Vietnam and provided cover for corruption to flourish. The initial optimism that many foreign investors felt about the economy of Vietnam has been dispelled by the difficulty of doing business there. Foreign direct investment in Vietnam dropped to \$4.5 billion last year compared to \$8.5 billion in 1996 and \$6.6 billion in 1995. It continues to drop in 1998.

The U.S. Chamber notes that Vietnam should wean itself from currency and capital controls in favor of broader macroeconomic measures to deal with external shocks. In the absence of further reform, Vietnam's exports will decline because of low consumer demand in other Southeast Asian countries and Japan. A further decline in foreign direct investment and an increasingly scarce supply of foreign currencies could result in lower growth in real incomes and higher unemployment. Moreover, Vietnam risks losing even more ground to its Southeast Asian neighbors who are undertaking reform.

The U.S. Chamber will only endorse a U.S.-Vietnam commercial agreement that satisfactorily addresses the following issues:

- *Make regulations more easily available to the public.* Regulations in Vietnam are often unpublished or subject to change without notice. The lack of transparency encourages corrupt practices. Vietnam should ensure that regulations are easily accessible and applied with consistency on the basis of the principle of national treatment and nondiscrimination. In addition, Vietnamese agencies should adopt a uniform process for permitting public comment and review of proposed changes in regulations.

- *Base regulations on a "permissive" system.* Under the current regulatory system in Vietnam, there is a presumption of illegality unless something is expressly permitted. Government officials thus are reluctant to make decisions because of concerns that they will be held responsible if the decision is later deemed to be inappropriate. Vietnam instead should adopt a regulatory system whereby everything is assumed to be "permitted" unless expressly prohibited. A "permissive" system would reduce the amount of regulations and still allow the Vietnamese government to enumerate cultural concerns regarding public safety, morals, etc.

- *Abolish import licenses and quotas.* These administrative measures are inconsistent with the norms and principles of the World Trade Organization (WTO). They add unnecessary costs to doing business, distort market allocations, and encourage smuggling.

- *Reduce tariffs.* Vietnam should agree to binding reductions in its import duties as requested in the U.S. government's tariff request.

- *Use the transaction value of imports instead of government reference prices for customs purposes.* Vietnam Customs imposes tariffs on 34 broad product categories, including consumer goods, based on reference prices established by the government rather than c.i.f. prices declared by the importers. The reference prices are often higher than the c.i.f. price because they are meant to remedy alleged under-invoicing of imports. Vietnam should adopt the disciplines of the WTO Agreement on Customs Valuation.

- *Reform system of land-use rights.* At present, land-use rights in Vietnam consist of leases that are not transferable without government approval. In addition to granting approval, the government also sets the price for the transfer. This process keeps the price of land use artificially high and adds greatly to the cost of doing business. Moreover, banks are unable to accept land as collateral because of the non-transferability.

- *Ease foreign exchange controls.* Foreign investors have few ways of obtaining foreign currency to import raw materials and other supplies except through income earned on export sales. Restrictions on the repatriation of profits should be eased. Vietnam should also take steps to make the dong convertible.

- *Open service sectors to foreign participation.* Vietnam should permit greater foreign participation in its service sectors, including retail and wholesale distribution, leasing, banking and insurance, telecommunications, professional services and many others.

- *Provide full protection and enforcement of intellectual property rights.* The completion of a copyright agreement between the United States and Vietnam is a welcome development. The U.S. Trade Representative should closely monitor Vietnam's implementation and enforcement.

- *Eliminate performance requirements.* Vietnam should not impose performance requirements (e.g., local content, technology transfer, export requirements) on foreign-invested enterprises. It should adopt fully the disciplines contained in the WTO Agreement on Trade-Related Investment Measures.

- *Privatize state-owned enterprises.* The Vietnamese government has embarked on a program of "equitizing" (partially privatizing) state-owned enterprises. To date, however, only 150 to 200 state-owned enterprises have been registered for "equitization" out of a total 6,000. This process should be accelerated to improve the strength of state-owned enterprises (and hence lower the need for protectionist measures) and provide some relief to Vietnam's banking system.

- *Phase out state-directed lending.* State-directed lending distorts the efficient allocation of capital. In addition, the practice provides little incentive for state-owned enterprises, the main recipients of the loans, to rationalize their operations in order to attract capital. Vietnam should also end the practice of permitting state-owned enterprises to borrow from banks on the basis of state guarantees and without collateral.

- *Develop and use international "best practices" in infrastructure development.* The Vietnamese government should use standard joint-venture regulations and common contractual terms so that foreign investors can understand the rules and more easily arrange financing for infrastructure projects.

The U.S. Chamber believes that Vietnam's commitment to undertake these reforms is a prerequisite to taking the next steps to normalize trade relations. These steps include (1) extension of NTR to Vietnam and (2) Vietnam's accession to the WTO. The U.S. Chamber supports both objectives.

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Chairman CRANE. Thank you.  
Ms. O'Shea.

**STATEMENT OF LYNN O'SHEA, NEW YORK STATE DIRECTOR,  
NATIONAL ALLIANCE OF FAMILIES FOR THE RETURN OF  
AMERICA'S MISSING SERVICEMEN, BELLEVUE, WASH-  
INGTON**

Ms. O'SHEA. Mr. Chairman, Mr. Rangel, I thank you for the opportunity to be here today to express the total opposition of the National Alliance of Families to the waiver of the Jackson-Vanik amendment as it applies to trade with Vietnam. At the close of the war, there were 2,583 American servicemen unaccounted for. The families of our POW/MIAs have traditionally accepted the fact that

a significant number of those cases may never be resolved. But as a practical matter, Members of Congress should know that more than 800 of our POW/MIAs were simply presumed to be dead based solely on the passage of time, with no real evidence of death. In fact, in many of those cases, there was evidence of capture and captivity. These are men that the Vietnamese could readily account for and these men became the discrepancy case list that Senator Kerry referred to earlier.

As Senator Kerry spoke, he mentioned that there were only 47 of those cases left, indicating that that showed great progress by the Vietnamese in helping us account for these men. What Senator Kerry did not say was that those men for the most part were accounted for administratively. They have not been accounted for by the recovery of their remains or a proper identification of remains. They have been accounted for on paper only.

This Subcommittee has heard testimony from witnesses to the effect that Communist Vietnam is doing everything it reasonably can to account for our POW/MIAs. These witnesses also say that Vietnam is cooperating in full faith and the family members should trust the Government of Vietnam to be honest and fair in achieving a fullest possible accounting. They might also say that our former allies, the South Vietnamese, should trust the Vietnam Communist Party to promote progress in human rights. This is not happening.

Recently, the U.N. issued a report citing increased religious oppression in Vietnam. We cannot reward a nation that is moving backward. That is what Vietnam is doing. They are not cooperating on the POW/MIA issue, and their human rights record is abominable.

Now there are witnesses that state we should give them more, more trade, more money, more loan guarantees, the business to go over there. Why? Who gives the reward before the reward is deserved? That is what we would be doing if we extended the waiver of Jackson-Vanik.

The businesses here today are asking for loan credits and guarantees so that taxpayers' money will back up their investments in Vietnam. While we realize that that backup is not 100 percent, that is still taxpayers' money that is being gambled with. These corporations are not willing to go to Vietnam and gamble their own capital. They want a backup. They do not trust the Vietnamese, yet they expect the families of our POW/MIAs to trust the Vietnamese to provide a full and proper accounting, when past history has shown that is not what the Vietnamese do.

We believe that there are only two key issues remaining between the U.S. Government and Communist Vietnam that must be resolved before Congress can favorably consider any further concessions in advance to Hanoi. These two issues are the fair and honest accounting of our missing men and democracy for the Vietnamese people.

I would also like to bring up one point when I think it was Ambassador Peterson was discussing remains, repatriation, and how many remains identification have been made over the last several years. I think it is important for this Congressman to know that the phrase "remains identification" and accounting has been applied very, very loosely. There are headstones in Arlington National

Cemetery with names on them that have no remains underneath. These are administrative identifications. They are burying names, not remains. They are pointing to this reduction of the list of missing as progress that is being made with the Vietnamese in a full accounting. It's not happening.

In closing, all I can say is on behalf of our membership, the mothers, fathers, sons, daughters, wives and children of our missing men, we should not further reward Vietnam with any concessions until Vietnam takes the proper steps in the accounting of our missing and shows vast progress in human rights.

Thank you.

[The prepared statement follows:]

**Statement of Lynn O'Shea, New York State Director, National Alliance of Families for the Return of America's Missing Servicemen, Bellevue, Washington**

Mr. Chairman, distinguished members of the Committee, thank you for the opportunity to testify today. Renewal of the Jackson Vanik Waiver, as it applies to trade with Vietnam is a matter of great importance not only to POW/MIA family members and veterans, but to the American people as well. I am hopeful that this hearing will lead to a better understanding of the concerns of POW/MIA family members at this critical juncture of our nation's postwar relationship with Communist Vietnam.

At the close of the war 2583 American servicemen remained unaccounted for. As family members of the POW/MIA's we have traditionally accepted the fact that a significant number of POW/MIA cases may never be resolved. But as a practical matter, members of Congress should carefully consider the fact that more than 800 of our loved ones were simply "presumed" to be dead, based solely on the passage of time, with no real evidence of death.

Mr. Chairman, in considering the men who were "presumed" dead we should not lose sight of the fact that young servicemen captured during the 1970's would only be in their 40's today, and in the absence of evidence to the contrary, the National Alliance of Families can only assume that at least some of these men are still alive. As a matter of policy, the US Government does not rule out the possibility that American POWs could still be held.

Intelligence reports indicate that at the time of their loss, some 305 Americans were either known to be alive and in the custody of communist forces, or lost in close proximity to communist units. In the early stage of our postwar relations with Communist Vietnam this 305 member grouping became known as the "Discrepancy Case List," which was designed as a yardstick to measure the level of cooperation afforded us by Communist Vietnam in resolving the overall issue. Thus far, the remains of only about 50 of the men on this crucial list have been returned and identified. Over 250 American servicemen who were on the initial list have never been returned, nor have their identifiable remains been recovered and identified. This is totally unacceptable.

Additionally, only a small number of the remains of 47 of our loved ones who died while being held in prison camps in South Vietnam during the war have been returned. Moreover, although over 80% of US losses in Laos and 90% of those in Cambodia occurred in areas occupied by Vietnamese forces during the war, Vietnam continues to ignore repeated US requests for case-specific records on our missing men lost in these countries. Although Vietnam has provided thousands of documents, records, photographs and other material to our government, most of this material pertains to Americans who have been accounted for, and only a very small percentage of such material pertains to those who are still missing.

Today this distinguished Committee might hear testimony from witnesses to the effect that Communist Vietnam is doing everything it reasonably can to account for our loved ones. These same witnesses might say that Vietnam is cooperating "in full faith," and POW/MIA family members should trust the government of Vietnam to be honest and fair in achieving a fullest possible accounting. They might say that our former allies, the South Vietnamese, should trust the Vietnam Communist Party to promote progress in human rights. Communist Vietnam currently enjoys a surplus of more than 50% in trading with America while our nation is subjected to a more than 50% deficit. And even though Hanoi's trade negotiators have declined to conclude a fair and equitable bilateral commercial agreement with the

United States, your Committee might hear testimony favorable to Vietnam calling for even broader commercial and economic ties.

We find it confusing that those lobbying for increased trade with Vietnam are calling upon the U.S. Government to provide credits and investment guarantees, and other conditions before their private capital investments are ventured. Concerning the aspect of "credits," what the lobbyists seem to be saying is that they want members of Congress to help their constituent corporations with so called "credits" from the taxpayer funded U.S. Export Import Bank. But as you are probably aware the Communist Party of Vietnam currently equips and maintains one of the largest military and police forces in the entire world. As a result Vietnam currently has very limited capacity to purchase American products, unless it also receives loans from some taxpayer funded entity. But being a police state, Vietnam is unlikely to reduce the size of its forces, and is, therefore almost certain to default on any such loans.

Concerning the "guarantees" sought by lobbyists, apparently they are referring to insurance protection from the U.S. taxpayer funded Overseas Private Investment Corporation (OPIC), which as you know is similar to the Federal Deposit Insurance Corporation (FDIC). The obvious question that comes to the minds of POW/MIA family members is: if American businessmen do not trust the Communist Government in Vietnam with their investments, how can they expect those whose loved ones are still missing to trust that same government in providing an honest accounting for their sons, husbands, fathers and brothers. This is perhaps the most obscene aspect of the on going debate concerning U.S. Vietnam relations.

In essence, we believe that there are only two key issues remaining between the United States and Communist Vietnam that must be resolved before Congress favorably considers any further concessions in advance to Hanoi, especially OPIC and Export Import Bank financing. These two issues are a fair and honest accounting for our missing men, and democracy for the Vietnamese people. We have no objections to American firms conducting trade with any nation, but trade and Commerce are private matters and those engaging in such trade with Communist Vietnam should do so at their own risk.

In looking at the degree of rigidity of the Communist Party of Vietnam, especially its insistence that only a one party system will be tolerated, we find it equally unfair to expect the Vietnamese people to trust the Communist Party of Vietnam to move forward with progress toward democracy. Over the past few years we have heard considerable rhetoric concerning human rights, but we believe that without democracy as a foundation, it is impossible to insure basic human rights in any nation. Concerning emigration by Vietnamese citizens from that country, the process has severely hampered by bribery and corruption. Applicants are routinely forced to pay bribes in exchange for required documents, clearances and exit permits. Traditionally the emigration process has been tightly controlled by the Ministry of the Interior, formerly the Ministry of Public Security. This premier intelligence and security organization of the Vietnam Communist Party is almost entirely funded by monies extorted from citizens seeking to leave Vietnam, and the acquisition of passports and exit permits is an extremely cumbersome process.

We can all remember a time, not too long ago, when America supported and encouraged democracy around the world. Next to God, duty, honor and country, were the most important things in our lives, and your Committee would have had to search far and wide in order to find even one witness to come here and lobby on behalf of a Politburo led dictatorship such as Vietnam. But money is a powerful force, and the current attitude of profit before principle is prevalent throughout the highest levels of our government and national corporate community.

We believe that this situation is indicative of the decayed and degraded state of moral and patriotic feeling that has gradually spread across the nation. Our government is racked by scandals, illegal political contributions are rampant, and senior officials have been convicted of selling our nation's most important secrets to foreign countries, not because of their ideology, but based entirely on monetary greed. We need only look at the recent unprecedented actions of our children in schools across America to fully comprehend the impact of the profit before principle attitude on our society as a whole.

In the past few years POW/MIA families have watched closely as various Committees of Congress conducted inquiries concerning illegal campaign contributions, as well as the impact of such contributions on American foreign policy. We feel frustrated, however, that most of these investigative efforts have been focused on China, with very little apparent interest in Vietnam. This is despite the fact that former Deputy Assistant Secretary of Commerce, Mr. John Huang, and others associated with the Indonesian based Lippo Group, have clearly been implicated in influencing U.S. policy toward Vietnam, but only recently have they been indicted. The Lippo

Group, with close ties to businesses in Arkansas, is one of the largest investors in Vietnam and this organization realized considerable advantage from increased commercial and economic ties between the U.S. and Vietnam. POW/MIA family members are concerned that Congress has not undertaken its responsibility for oversight in scrutinizing motivation for quickly lifting the trade embargo against Vietnam in 1994, as well as the granting of diplomatic recognition to Vietnam in 1995.

On our Independence Day in July, 1995 POW/MIA family members were appalled when Senators Bumpers of Arkansas and Harkin of Iowa traveled to Hanoi to gauge the potential for establishing diplomatic relations with Communist Vietnam. Shortly after their return to the U.S. both gave the proverbial "green light" to President Clinton. Senator Harkin also called for guarantees for investors in Vietnam by the OPIC. POW/MIA family members were disheartened to learn that Senator Harkin's wife is the head of the OPIC. Shortly after the trade embargo was lifted Vietnam granted its first and only real estate license to Collier-Forbes International, and POW/MIA family members would like to when and how negotiations for this agreement occurred, and just exactly who was involved. We are also keenly interested in congressional scrutiny of the activities of the U.S. Vietnam Trade Council during the period 1991 to 1996.

Family members of the missing throughout the years have become fully aware of Communist Vietnam's expertise in political struggle, especially concerning the art of deception. In exploiting character defects, such as greed, Hanoi's strategists are fully capable of working with large contributors to gain the cooperation of some key officials here in the United States to develop influence groups. In such instances groups traveling to Vietnam receive special treatment, such as travel assistance, transportation, briefings and meetings by both U.S. and Vietnamese officials are not unusual.

POW/MIA family members fully support the general concept of healing tours, but we must remind those involved that we will not tolerate anyone taking advantage of this tragic situation in order to heal themselves or further their own agenda. When sensitive investigations are conducted into the fates of those on the Discrepancy Case List, or those who have been "presumed" dead, we not only expect, but demand that rather than amateurs, such investigations be supervised and conducted solely by experienced, qualified, professional investigators with formal agency level training.

In addition to a long term experience factor, we expect that personnel conducting such investigations, including the Joint Task Force-Full Accounting (JTF-FA) will not only be certified through formal training, but proficient in the art of interrogating witnesses and fluent in the language pertinent to the area of loss. A thorough knowledge of Vietnamese Communist policies and procedures regarding the capture, evacuation, detention and exploitation of foreign personnel should also be considered a basic requirement for qualification.

We also expect those involved in the remains identification process be fully qualified in the science of forensic anthropology. The Central Identification Laboratory Hawaii (CIL-HI) make their identifications based on remains recovered. They must stop their no remains "death by association" identifications. U.S. officials must stop referring to these no remains identification as remains recovered. Burying names without remains is creative accounting to further foster the myth of Vietnamese cooperation.

One important unilateral step by our own government POW/MIA family members would like to see taken, prior to any further concessions in advance to Vietnam, is the declassification of all POW/MIA related information not directly associated with an ongoing live sighting investigation.

We believe it imperative that family member organizations have access to all such information. We are dismayed that prior to September 1997, information regarding the Source of U.S. remains, as well as information as to whether remains had been stored in warehouses by Vietnam prior to repatriation was provided to us. However, subsequent to the resignation of BG James Wold, the head of the Defense Prisoner of War and Missing Personnel Office (DPMO) in August 1997, this information has purposely been withheld.

In all honesty I must tell you that a great deal of skepticism exists among members of our organization. The general consensus is that regardless of what transpires during this hearing, additional concessions by our government to Communist Vietnam in advance of a full accounting will be a proverbial "done deal."

Mr. Chairman, there are many great people in our organization. We should all remember that we cannot judge the greatness of people by measuring what it takes to get them going, we can only judge the greatness of people by measuring what it takes to make them stop.

I can assure you that even if Congress is not willing to support us by disapproving the President's waiver of the Jackson-Vanik amendment, we, at the National Alliance of Families for the Return of America's Missing Servicemen will not stop until we have achieved our goal, the return of our live prisoners of war, a truthful accounting of the missing and the proper identification of remains. Thank you for the opportunity to testify.

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Chairman CRANE. Thank you.  
Mr. Craft.

**STATEMENT OF GREIG CRAFT, PRESIDENT, CRAFT CORPORATION; MEMBER, BOARD OF GOVERNORS, AMERICAN CHAMBER OF COMMERCE IN HANOI, VIETNAM; AND VICE CHAIRMAN, ASIA-PACIFIC COUNCIL OF AMERICAN CHAMBERS**

Mr. CRAFT. Mr. Chairman, Mr. Rangel, thank you for the opportunity to testify today before you. Like my colleagues, in an effort to be brief, my testimony which is submitted, will elaborate on a lot of the points that I will not cover right now, but I would like to highlight a few things.

In my capacity as vice chairman of APCAC, which is the acronym for the Asia-Pacific Council of American Chambers, we represent 40,000 businessmen and women in the region. We represent 6,600 companies, including Vietnam, and our membership manages trade volumes in excess of \$200 billion. I note this only because we are out there in the region, and I think we recognize what is going on in the region, and being at the forefront of a lot of these issues, I think we have the experience to share with you some of our experiences.

I think it is also important to note that business is sometimes unfairly accused of only being in the region to make money, to make profits, and that we overlook the issues of MIAs, the POWs, human rights. I think nothing could be further from the truth. On the contrary, we do believe that the engagement that we are involved in does help promote democracy and does help promote a lot of the ideals that America is trying to put forth in many of these areas.

As an example of what business does, I think we cannot overlook the technology transfers, the training programs that go on, and education that happens by bringing young Vietnamese as an example to the United States and the training that goes on in those countries. We do believe that we serve America's national interest by fueling the growth of American jobs in exports which have contributed so significantly to our American economic success in the past few years. It is our position that Vietnam, with its young and well-educated population of nearly 80 million people, offers significant opportunities to help sustain this economic growth, provided American companies can remain competitive.

I think it is unfair to categorize programs such as OPIC and TDA or Ex-Im as corporate welfare or only looking to the American taxpayer to guarantee risk that maybe we are not otherwise prepared to make. In the case of many companies, we have SMEs, we have large corporations, Fortune 500 companies in Vietnam, are taking enormous risk in making investment there. They have made

that investment well before we had access to OPIC, Ex-Im and TDA.

However, as a personal example, I can tell you, our company since 1995 has led the development of Vietnam's first direct reduced iron plant. This is a \$300 million project, which will be the first American involvement in Vietnam's emerging steel market. It is product that can also be used here in the United States. More importantly, this American-led consortium which will include companies such as Raytheon and Midrex, will use U.S. technology, services and equipment.

We awarded the first TDA grant to Vietnam in 1997, and we have submitted an application to OPIC for financing. It does not mean that we are only looking for an elimination of the risk in order to pursue this project, but on the contrary, what happens, without access to some of these government programs? What happens is the Vietnamese have no recourse but to turn to foreign suppliers, foreign suppliers of raw materials, foreign suppliers of financing, and indeed, ultimately foreign ownership.

Denial of the programs available with the Jackson-Vanik extension will only force Vietnam to go to other countries for their investment. It also misses the point that it punishes Vietnam, but it does not change anything. They will have access to many, many other countries, programs, financing programs, and offer opportunities for their companies to step in and fill voids that we are simply cut out of. So in effect, denial of these programs becomes a form of unilateral sanctions, which in the end, hurts everyone, both Vietnamese and Americans. We do not believe this should be our policy.

Last year, I testified before this Subcommittee and stated denying Jackson-Vanik waiver was the wrong action at the wrong time. Today, I say to you that renewing the Jackson-Vanik waiver is the right action at the right time.

Thank you very much.

[The prepared statement follows.]

**Statement of Greig Craft, President, Craft Corp.; and Member, Board of Governors, American Chamber of Commerce in Hanoi; On Behalf of Asia-Pacific Council of American Chambers, Hanoi, Vietnam**

Mr. Chairman and committee members—good morning. My name is Greig Craft. In my capacity as Vice Chairman of APCAC (Asia-Pacific Council of American Chamber) I am honored to be here today to share our position on extension of Jackson-Vanik, as well as to provide you first hand observations as a result of several years of residency in Hanoi. First, let me state unequivocally that all American business people in Vietnam share the fullest possible accounting of American servicemen missing from the war. Second, all American business people have an interest in promoting freedom of emigration, which the Government of Vietnam has made significant progress. Lastly, in addition to pursuing commercial opportunities, we all have an ongoing interest to promote human rights and democratic freedom throughout the world. The process of economic development bodes well for eventual political liberalization in Vietnam as well.

Despite our turbulent past, the United States and Vietnam have made significant progress toward normalization of relations. Ordinary citizens show much goodwill toward Americans living in Vietnam and there are many humanitarian programs being carried out by people of both countries. Tens of thousands of Vietnamese-Americans have returned to Vietnam to visit and work. They are eager and enthusiastic to contribute to Vietnam's modernization. Taking advantage of opportunities in Vietnam will help sustain, and indeed, increase, job opportunities for American workers involved in the manufacture and export of American products to Asia. And equally important, it will help once and for all to ease the pain and divisiveness that

have troubled our national psyche for 25 years. It is time to continue building a new relationship with Vietnam, and time to move on to a new era of peace and forgiveness. Constructive engagement by the US Government towards Vietnam is a policy which should continue in our national interest.

The members of APCAC represent more than 40,000 businessmen and women, and more than 6,600 companies in 18 Asia-Pacific countries, including Vietnam. Our membership manages trade volumes in excess of \$200 billion and investments of over \$50 billion in the region. We serve American's national interests by fuelling the growth of American jobs and exports which have contributed so significantly to America's economic success in recent years. It is our position that Vietnam, with its young and well educated population of nearly 80 million, offers significant opportunities to help sustain this economic growth, provided American companies can remain competitive there through access to essential US government programs such as EXIM, OPIC and TDA. American companies operating in Vietnam have invested over \$1.2 billion to date, with an additional \$2 billion in advanced stages of development. This is impressive, coming after only 4 years since the President announced "normalization of relations" with Vietnam. But this could increase substantially if full normalization was in place.

There has been significant and notable progress in recent years. Vietnam has the second largest population in SE Asia and the opportunities for US manufacturers are immense. Well know American brands are already market leaders in many instances. Access to television programming such as MTV, CNN and NBC only adds to this consumer brand awareness. Vietnam's strategic location on China's southern border cannot be overlooked—this makes it of pivotal political importance to the United States as well. Vietnam's desire to join the world community is evidenced by its entry into ASEAN and APEC, and preparations to join the WTO. However, as a part of its globalization initiative Vietnam want and needs to fully normalize relations with the United States. It is in the national interest of the United States to maintain a fully normalized economic and political relationship with Vietnam. If further developed, it will not only help sustain economic growth in America, but equally important, will provide stability in the region. We in the business community can help further this process, and ultimate healing, but only if we have the ability to remain engaged in Vietnam on a day to day basis. This means we must be able to compete equally with foreign companies who enjoy sovereign financing and support from their respective governments. Continuation of the Jackson-Vanik waiver is therefore essential to maintain ongoing American involvement in Vietnam, for the benefit of American enterprises.

On a personal note, since 1995 our company Craft Corporation, have led the development of Vietnam's first Direct Reduced Iron plant—a \$300 million project which will be the first American involvement in Vietnam's emerging steel industry. It will create a valuable feedstock required even by our own steel producers in the US. Our American led consortium, including involvement of US companies such as Raytheon and Midrex, will utilize US technology, US services, and US equipment in the implementation of this strategically important project. We were awarded the first TDA grant to Vietnam in 1997 and have submitted an application to OPIC for financing and insurance. However, without access to these government programs there would be no alternative but to turn to foreign financial sources, foreign equipment and ultimately foreign ownership.

Denial of the programs available with the Jackson-Vanik extension will only force Vietnam to go to other countries for their investment, raw materials and trade. Denial of these programs becomes a form of unilateral sanctions which in the end hurts everyone, both Vietnamese and American. This should not be our policy. Last year I testified before this committee and stated "denying the Jackson-Vanik waiver extension is the wrong action at the wrong time." Today I say to you: Extending Jackson-Vanik waiver is the right action at the right time.

Thank you for considering our views.

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Chairman CRANE. Thank you. For all of our panelists, what potential opportunities are there for U.S. firms in the Vietnamese market? Does anyone have a view on that? Yes, Mr. Johnstone?

Mr. JOHNSTONE. Mr. Chairman, it has an enormous population base, some 78 million people, the second largest country in South-east Asia. I think as it grows economically, one can expect there to be a substantial increase in the potential market for American

exporters there. So there is no question, and I think you can see it from the standpoint of the interest that American business has in being there, their willingness to take risks in being there because it is a difficult place to do business. Still, we see a substantial potential for Vietnam as an export market for American goods and to create American jobs.

Chairman CRANE. Any other? Yes, Mr. Do.

Mr. DO. Mr. Chairman, I have a very different viewpoint. We have to keep in mind that the average per capita income for a Vietnamese is hovering between \$250 to \$300 maximum. We all know that the wealth in Vietnam resides within the party membership. The 100 richest people in Vietnam are all party members and officials. With that kind of scenario, it is doubtful that the Vietnamese population, the general population that I'm speaking about can have the resources or money to afford to buy any kind of goods or export that we might be able to export over there.

I think the best way to benefit American business interest in the long run is to help Vietnam to build a stable, democratic society, ruled by the rule of law, so that everyone has equal opportunity for prosperity. Only then can we have a truly potentially beneficial export market.

Chairman CRANE. Yes, Mr. Trinh?

Mr. TRINH. I would just like to add one fact into the discussion. Annually there are about 200,000 Vietnamese overseas going back to Vietnam to visit their country and their relatives. Regardless of the political belief of different people, the fact that the Vietnamese-Americans are going back to Vietnam is a good way to introduce the people in Vietnam to democracy, the new way of thinking, and that is something that's intangible, but it is coming. People in the country, they appreciate that. We know that we have about a million Vietnamese-Americans here in the United States. That population is very important. Thank you.

Chairman CRANE. Yes, Mr. Craft.

Mr. CRAFT. I would like to add, Mr. Chairman, the question that you asked on opportunities there. It is interesting, there also sometimes is a misperception in the United States about what is going on in Vietnam currently. It is interesting to note we have, as Ambassador Peterson mentioned, over 400 companies there. These include Fortune 500 companies such as Coca Cola, Pepsi, and Ford Motor Co. which has an automobile assembly plant. Also the statistics of saying, as Mr. Rohrabacher mentioned, that there has been a study done that there is an exodus of companies leaving Vietnam, U.S. companies, I think that is a little bit inaccurate. We have over \$1.2 billion invested there, only in 4 years since the embargo has been lifted. That is an incredible number.

I think the press sometimes inaccurately portrays this. What is happening is that because of the Asia recession, you have got a lot of companies that are consolidating operations. So they may be consolidating a lot of operations to Singapore, or Bangkok, or Hong Kong, so it doesn't necessarily represent a wholesale exodus from Vietnam.

Chairman CRANE.

Mr. Rangel.

Mr. RANGEL. Thank you.

Mr. Do, can you tell me briefly, something about the organizations you represent, the membership?

Mr. DO. Yes. Right. The coalition, like I said, represents about 30 organizations in communities across the U.S. Just to name a few, the Vietnamese-American Community in southern California—

Mr. RANGEL. How many people are members of these organizations, the membership?

Mr. DO. The total Vietnamese-American population in southern California is roughly 350,000 people.

Mr. RANGEL. And do you have the cities that they are located in?

Mr. DO. I'm sorry?

Mr. RANGEL. Do you have the cities where they are located?

Mr. DO. Westminster is the base, in Orange County.

Mr. RANGEL. Are all of the organizations in California?

Mr. DO. No. They are stretching from Minnesota to Portland, Oregon, to San Jose, Houston, the local community here, just to name a few.

Mr. RANGEL. Could you send me some information so that we would know more about them?

Mr. DO. I certainly can submit a list of all of the members.

Mr. RANGEL. Good. So that we will know the Congresspeople who represent them.

Mr. DO. Certainly.

[The following was subsequently received:]

#### MEMBER ORGANIZATIONS

Vietnamese Interfaith Council in the USA	Vietnamese Community of Houston & Vicinity	Vietnamese Community of Utica, New York
Vietnamese Community of Oregon	Vietnamese Community of Oklahoma	Vietnamese Community of Dallas, Texas
Vietnamese Community of Seattle, Washington	Vietnamese Community of Louisiana	Vietnamese Community of Fort Worth, Texas
Vietnamese Community of Southern California	Vietnamese Association of Charlotte, NC	Vietnamese Community of San Joaquin Valley
Vietnamese Community of Clark County, WA	Alliance of Vietnamese Associations in Northern California	Vietnamese Community of Jacksonville, Florida
Vietnamese American Community of Illinois	Vietnamese Community of Minnesota	Vietnamese Community of Orlando, Florida
Vietnamese Community of Boston, MA	Vietnamese Community of NW New Jersey	Vietnamese Community of South Florida
Vietnamese Community of Georgia	Vietnamese Community of NW Pennsylvania	Vietnamese Community of Florida
Vietnamese-American League of San Diego	Vietnamese Community of Syracuse, New York	Vietnamese Community of Los Angeles
Vietnamese Community of New York	Vietnamese Community of Endicott, New York	Vietnamese Community of Washington, D.C., Virginia, and Maryland

Mr. RANGEL. Ms. O'Shea, I gather from your testimony that you heard the testimony of Ambassador Peterson, who is a patriot and a hero, and enjoyed a great reputation for truth and honesty as a Member of the Congress. He had indicated that great progress was being made with MIAs, with religious freedoms, and all of those areas. Does your organization have any reason to challenge his testimony?

Ms. O'SHEA. Well, we disagree, yes. Within the last month, month-and-a-half, the United Nations Committee on Religious Tol-

erance issued a report. They were highly critical of Vietnam and their oppression of religious freedoms. They said that, and I'm sorry I don't have the report with me to give you the exact wording, but it said that they were taking a step backward and that they were cracking down on new religious freedoms.

Mr. RANGEL. But your major thrust of the National Alliance is with the missing servicemen.

Ms. O'SHEA. That is correct.

Mr. RANGEL. And he went into great detail as to progress he thought was being made in this area.

Ms. O'SHEA. Well, it's the definition of progress. If you consider it progress that they are burying people without remains and considering those people accounted for fully, I guess you could consider that progress. The members of our organization do not. We believe to account for someone, you must have identifiable remains, and that is what is returned to the family for burial.

Mr. RANGEL. Is your organization in direct communication with our Ambassador?

Ms. O'SHEA. Not that I know of, no. Actually though, I do believe that during the recess, some of our members did speak with Ambassador Peterson on several points.

Mr. RANGEL. What would you think could possibly be a better source as to what is going on in North Vietnam than the United States Embassy? Where would you get your information?

Ms. O'SHEA. Well in the past, prior to having an embassy there, the information was funneled—

Mr. RANGEL. Now that we have an outstanding representative there of the greatest reputation, who was a prisoner for 6 years.

Ms. O'SHEA. We are not challenging Ambassador Peterson's reputation. The POW issue, the negotiations on POW/MIAs has historically been handled through the joint task force full accounting in Hanoi, and not as a matter at the embassy level.

Mr. RANGEL. But don't you think at least as it relates to your organization, that it would be helpful to at least test the information that you have with our representatives in North Vietnam?

Ms. O'SHEA. I am not sure I understand what you mean by testing information.

Mr. RANGEL. Don't you think the Ambassador could help your organization have a better understanding of the problems that we are having in Vietnam?

Ms. O'SHEA. I am sure he has a great insight on those problems. But I am only questioning the statement he made about remains identification and accounting for men when we know for a fact that they are burying names and not remains. People are getting headstones with no remains under them.

Mr. RANGEL. I am just saying I think it would make a lot of sense for some communication to be had by your alliance with the Ambassador. That is all I am suggesting.

With the Chamber of Commerce, I know that the Chamber has participated in efforts to remove the embargo from Cuba. It would help me, Mr. Johnstone, if you could just put together all of those efforts and forward it to me, because most recently I think it included some humane and religious organizations that were embarked under the leadership of the Chamber.

Mr. Craft, while your chamber concerns itself with Asia and the Pacific, there's hardly anything that you have said that your business interests, I mean the humane interests and bringing democracy, you have no reason to believe that that would not pertain to Cuba if we removed the embargo and engaged? Is there any reason you believe that we cannot be equally as successful in Cuba?

Mr. CRAFT. Absolutely not. I think it certainly could be. I think Vietnam in a way has been an idea model for you to follow. I think furthermore, it's very interesting that—by the way, one of our APCAC priority positions that we have been bringing to the Hill this week is that we do not support unilateral sanctions. We feel that they are counter-productive, and of course an embargo such as this is a form of unilateral sanctions.

Mr. RANGEL. Is your group a part of the U.S. Chamber of Commerce?

Mr. CRAFT. Yes. We are.

Mr. RANGEL. OK, good. Because they have been doing good work. Thank you, Mr. Chairman.

Mr. DO. Mr. Chairman, can I just have 1 minute to address a question you asked the previous panel?

Chairman CRANE. Yes, indeed.

Mr. DO. Thank you. On the potential impact of withholding the Jackson-Vanik waiver, I just want to add two more points. History has taught us that the Vietnamese Communists are very smart, very shrewd negotiators. For the last few years, at least since the lifting of the trade embargo, they have been getting a free ride from the United States. By withholding the waiver right now, I think we will send a very strong message that we as a nation are very serious about negotiating with them on our own terms, not their terms.

Second, I think by putting a little bit of pressure on them right now, it will help to strengthen the hands of the reformers within the Vietnamese Government who are pushing forward with more reforms. So pressure will help the reforming effort in Vietnam, not hinder it. Those are the two points I wanted to add. Thank you.

Chairman CRANE. Well, I thank you. I thank all of you panelists for your participation. As I told the previous panel, even though you may not be sitting here at the dias all the time, will you please stay in touch and keep communications flowing to us, because we need all the input we can get.

With that, with the bells going off again, the Subcommittee will stand adjourned.

[Whereupon, at 1:43 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

**Statement of Peter Ryder, American Chamber of Commerce in Vietnam,  
Hanoi Chapter, Hanoi, Vietnam**

Mr. Chairman, thank you for the opportunity to speak today in support of the re-waiver of the Jackson Vanik Amendment as it affects Vietnam.

My name is Peter Ryder and I am the President of LukeMax Company, a privately held U.S. firm that has established and invested in a number of businesses and projects in Vietnam. I have been actively involved in the Vietnamese market since 1992, and during this period I have witnessed first-hand the extraordinary socio-economic changes that have taken place as Vietnam has begun the process of transformation from an internally-oriented demand-driven economy to a globally-connected market-oriented economy. From my first days in Vietnam, through to today, I have believed that Vietnam as a market holds great potential for American

investors, American exporters, and American service providers, and I have been at the forefront of American efforts to see that this potential is realized. In our own small-scaled but not insignificant way, my company has begun to realize some of this potential as an investor and business developer in the fields of real estate, information technology, engineering, consumer products, finance, and education.

Today I come to you with the opinions of not just one businessperson in Vietnam, but as a Governor and representative of the American Chamber of Commerce in Vietnam. This organization was founded in 1994 to develop trade, commerce and investment between the United States and Vietnam. The association now has over 550 members working towards this mission. The members hail from across the U.S. and represent Fortune 50 companies to small entrepreneurs representing construction, energy, telecommunications, agriculture, tourism, manufacturing and reforestation among others. The one belief we all hold true is that in a country of 78 million people, rich with natural resources there is a market for American products and ingenuity.

However, in order for each of these enterprises to succeed, American companies need to be on a level playing field with other foreign investors. To date over 1.2 billion U.S. dollars have been invested or pledged in Vietnam. To protect and grow this investment, assistance from trade promotion programs is required. For example, when American businesses bid for a project they are often competing against other OECD countries, such as Japan, England, France and Belgium, which have ten year financing from their trade support organizations. Without some assistance it is virtually impossible for American companies to compete, please do not take the support away. Without the Jackson-Vanik waiver American businesses would be put a major disadvantage, one that may not be recoverable.

The second opportunity for growth for American companies is by completing the Bilateral Trade Talks, which are being discussed this week. Ratification of a trade agreement between the U.S. and Vietnam will not only improve the situation for the companies already based in Vietnam, but it could open doors for other American companies. Companies that have petitioned for the trade agreement include IBM, Arthur Andersen, CIGNA, Motorola, Cargill, Finasa, Procter & Gamble, Unisys, John Hancock and Triumph. Currently, Vietnam is one of the few countries that does not have normal trade relations with the United States. To move forward in the bilateral trade negotiations and eventually reach agreement the Jackson-Vanik waiver is required. The proposed agreement would transition Vietnam towards the WTO standards and encourage them as a player in the world economy.

There is still a third mechanism by which supporting American businesses in Vietnam can in turn put pressure on the Vietnamese government to reform. By having American businesspeople on the ground in Vietnam we are able to influence new legislation. For example, last year AmCham was one of the twenty business groups that formed a Private Sector Forum. This association now meets quarterly with Deputy Prime Minister Nguyen Manh Cam to improve the business environment for foreign investors. If there were not support for American businesses we would not be part of the foreign community influencing the rules governing the business environment in Vietnam.

As you can see it is vitally important to American business interests and the development of the Vietnamese market economy to waive Jackson-Vanik amendment again this year. Without this waiver we will fall far behind the other investors in developing a market for American goods and loose any impact on future legislation.

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THE AMERICAN LEGION  
WASHINGTON, D.C. 20006  
*June 22, 1999*

Honorable Phillip M. Crane, Chairman  
Subcommittee on Trade, Committee on Ways and Means  
U.S. House of Representatives  
*Longworth*  
Washington, DC 20515

Dear Mr. Chairman:

It is unacceptable to The American Legion for the United States to put business concerns over the fate of Vietnamese citizens who fought alongside us during the Vietnam war, and who have sacrificed so much for so long and are still unable to freely emigrate to this country.

The American Legion recognizes that the U.S. business community is concerned with maintaining and strengthening economic ties in Vietnam, but we cannot let these commercial interests take precedence over the destiny of our former allies who assisted us and are still loyal to our cause. The retention of the Jackson-Vanik waiver can be a powerful sign to show that we honor our commitments to human rights.

Obstacles continue to exist on the road to free emigration for Vietnamese who want to come to the United States and other countries in the free world. Ethnic groups that were allied with the Americans during the war, namely the Montagnards, and former employees of the U.S. government are still discriminated against by the Vietnamese government when applying and processing through the Resettlement Opportunities for Vietnam Returnees program (ROVR), the Orderly Departure Program (ODP), and others.

What better way to show that we truly are committed to allowing those Vietnamese who have remained faithful to the United States to emigrate than by denying U.S. exporters to Vietnam access to U.S. Government credits. This would be a powerful signal that we demand increased progress and cooperation on the part of the Vietnamese government.

The American Legion strongly urges you and sub-committee members to not grant the Jackson-Vanik waiver for this year.

JOHN F. SOMMER, JR.  
*Executive Director*

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#### **Statement of Boeing Company, Arlington, Virginia**

The Boeing Company appreciates this opportunity to comment on the U.S. trade relationship with Vietnam and commends the Chairman for his leadership on this important issue. Boeing strongly supports U.S.-Vietnam trade relations and applauds the Congress and the Administration for their efforts to implement the policies necessary to further expand trade with Vietnam.

The U.S.-Vietnam trade relationship is beneficial to both nations. Open trade with Vietnam provides a market for U.S. exports, creating high-paying jobs here at home, and gives the Vietnamese people an opportunity to experience the benefits of free enterprise. Commercial aviation is a key element of that relationship, increasing trade, tourism, and other types of commerce, promoting communication, and generating the foreign currency necessary for continued economic growth and development.

The Boeing Company supports renewal of Vietnam's waiver under the Jackson-Vanik amendment to the Trade Act of 1974 and recommends the establishment of both a general trade agreement with Vietnam and an air transportation bilateral agreement to accelerate Vietnam's progress toward a vital free market economy.

Vietnam has met the requirements of the Jackson-Vanik amendment that is designed to encourage a policy of free emigration in countries with non-market economies. Since the Administration normalized diplomatic relations with Hanoi in 1995, Vietnam has moved aggressively to comply with the Resettlement Opportunity for Vietnamese Returnees agreement.

The waiver of Jackson-Vanik gives American companies selling to Vietnam access to crucial US export promotion programs offered by the US Export Import Bank (EXIM) and the Overseas Private Investment Corporation (OPIC). These programs are vital to meeting the challenges of doing business in Vietnam's emerging market.

Since the President lifted the trade embargo on Vietnam in 1994, the country has made significant free market reforms and has experienced substantial economic growth. Foreign companies have joined forces with the Vietnamese to undertake a major rebuilding of the economy in almost every sector. The aviation sector is no exception.

Vietnam Airlines has been working hard to make those changes necessary to compete in the increasingly competitive commercial aviation industry. Until six years ago, it operated a small fleet of older, Russian-made aircraft generally considered unreliable and uncomfortable by today's standards. Vietnam Airlines now has replaced much of this fleet with modern equipment, allowing the airline to greatly improve its level of service and better meet the demands of today's sophisticated traveler. The results have been dramatic.

From 1992 to 1997, prior to the Asian financial crisis, Vietnam Airlines experienced annual traffic growth averaging 30 percent per year. This compares to an average for the industry worldwide of five percent per year, and for Asia as a whole, of seven percent. The financial turmoil that engulfed Asia in late 1997 and in 1998 did not have the same negative impact on Vietnam Airlines that it did on the air-

lines in neighboring countries. Some of these airlines suffered from double-digit percentage reductions in traffic, and significant erosion in profits. While Vietnam Airlines did lose profits, the carrier was able to hold on to a generally constant level of traffic during the depths of the crisis.

As these statistics indicate, the potential market for aircraft sales in Vietnam over the next 10 to 15 years is significant. Boeing projects Vietnam Airlines could require three to five billion dollars worth of modern aircraft during this period. Such growth means that Vietnam Airlines could develop an operation comparable to the size of Thai International Airways, Cathay Pacific, or Singapore Airlines, each with 60 to 80 aircraft.

Extension of the Jackson-Vanik waiver and a bilateral trade agreement with Vietnam are essential to the ability of The Boeing Company to compete for commercial aircraft sales in that country.

In recent history, the U.S. trade embargo on Vietnam made it impossible for Boeing to compete for direct aircraft sales in Vietnam. As a result, our competitor was awarded a contract to provide a fleet of Airbus A320 aircraft to Vietnam Airlines.

However, Vietnam Airlines operates three Boeing 767-300ER widebody aircraft leased from GE Capital Aviation Services, and Boeing is involved in a sales campaign for the 777 aircraft. Boeing will have to compete aggressively for this business, but cannot do so in the absence of a strong trade relationship with Vietnam.

Boeing urges the Congress to support the waiver of Jackson-Vanik for Vietnam and the development of a bilateral trade agreement with Vietnam. Increased trade between our two nations will create jobs and economic opportunity both in the United States and Vietnam.

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#### **Statement of Caterpillar Inc.**

Caterpillar Inc. is pleased the United States continues to take steps to strengthen the trade relationship between Vietnam and the US by seeking renewal of Vietnam's waiver under the Jackson-Vanik amendment to the Trade Act of 1974. This action stands to benefit both countries.

We are encouraged by the progress being made in consultations with Vietnam on a Bilateral Trade Agreement. Renewing the Jackson-Vanik waiver will further signal U.S. confidence that our two countries can work together on areas of mutual benefit towards conclusion of this Bilateral Trade Agreement and beyond.

The Jackson-Vanik waiver promotes U.S. commercial interests in Vietnam by allowing support from the Export-Import Bank of the United States (Ex-Im) and The Overseas Private Investment Corporation (OPIC) to U.S. businesses there. Without support of US Export Credit Agencies, Caterpillar will be at a distinct disadvantage with our foreign competition with ready access to their own export credit agencies.

Caterpillar currently has applications pending with Ex-Im and OPIC for projects that will improve the infrastructure of Vietnam and the quality of life of its people. We are hopeful that trade relations between the United States and Vietnam—including export opportunities supporting US jobs—will grow significantly over the coming years as relations between our countries continue to improve.

Caterpillar strongly urges Congressional support for the Jackson-Vanik waiver for Vietnam.

Caterpillar Inc., headquartered in Peoria, Illinois, is the world's largest manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines. Company sales and revenues set a record in 1998 of nearly \$21 billion.

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#### **Statement of Andre Sauvageot, General Electric Company, Hanoi, Vietnam**

I am Andre Sauvageot, residing in Hanoi as the Chief Representative for General Electric in Vietnam. I have held this position for over 6 years. As I did for your hearing last year on the initial waiver of the Jackson-Vanik Amendment, I am again submitting the following information to assist the Committee in its decision regarding the renewal of the Jackson-Vanik waiver for Vietnam.

##### **I. VIETNAM EXPERIENCE PRIOR TO JOINING GENERAL ELECTRIC**

My involvement in Vietnam began in 1964 as a U.S. Army Captain assigned as a District Advisor in South Vietnam. This entailed participating in combat operations with small South Vietnamese units and afforded opportunities to learn about

life and civil administration at the village level. I completed 8 years of Vietnam service with varied assignments including US Liaison & Coordination Officer for the Military Assistance Command (MACV) in the Prime Minister's Office. My last assignment, ending in March 1973, was as the Interpreter for the Chief of the American Delegation to the Four-Party Joint Military Commission charged with implementing the Paris Agreement on ending the war.

From 1976 to 1978 the Army assigned me to the US Department of Health, Education & Welfare as an Assistant Director to the Indochina Refugee Assistance Program to help with the resettlement of Vietnamese refugees in the United States. In 1984, I retired as a Colonel from the Army after 27 years of service.

From 1982 to as recently as 1993 I served as the interpreter for the highest level American delegations visiting Hanoi. The initial focus of these delegations was solely on the MIA/POW issue, but later they broadened to include some of Vietnam's humanitarian concerns. Until December 1992, I was employed by the U.S. Embassy in Bangkok as the Regional Advisor for the Comprehensive Plan of Action designed to encourage voluntary repatriation of Vietnamese "boat people" back to Vietnam. This involved constant visits to the camps in Hong Kong and Southeast Asia with follow-up visits to returnees in Vietnam. I enjoyed steadfast support from Vietnam's leadership and the freedom to travel freely in Vietnam at my own initiative throughout my mission.

My long involvement in Vietnam has given me a profound respect for the Vietnamese. Their pragmatism, flexibility, courage and intelligence makes it a country which is very amenable to constructive engagement. I agree with Department of Defense experts working the MIA/POW issue full time that the Vietnamese have provided outstanding cooperation and that the cooperation has increased as the U.S.-Vietnam relationship expands. The same is true on a wide range of commercial and other issues of interest to both countries. Progress on all issues is positively correlated with improvements in the overall relationship based on the principle of mutual benefit.

## II. DOING BUSINESS IN VIETNAM

Doing business in Vietnam is tough sledding. A country which has long been ravaged by war in its struggle for independence and national unity cannot be expected to move quickly from feudalism through Soviet-style state socialism to a market economy.

The problems with an underdeveloped banking system, underdeveloped legal and physical infrastructure, lack of transparency and widespread corruption are serious and combine to make it difficult to do business. American companies have the additional handicap of arriving behind foreign competitors which were not constrained by the U.S. trade embargo against Vietnam.

In addition, the lack of domestic capital and severely limited national budgets constrain the Vietnamese and their foreign business partners to seek off-shore-funding. Financing must often be in the form of government-to-government soft loans, as Vietnam's lack of a successful track record may preclude commercial financing. To be successful, companies must be prepared to make a long term commitment and maintain an in-country presence.

For the committed company with the right products or services, correct corporate policies and open minds to learn about Vietnam, the positives far outweigh the negatives.

The leadership's commitment to economic reform, its commitment to diversification of Vietnam's international relationships, the national unity behind the leadership on both of these major policies, the strong work ethic, and a literate, intelligent, trainable workforce are durable, valuable and more significant than the difficulties which so often frustrate foreign companies doing business in Vietnam.

The Vietnamese have forged a society in which 78 million people of some 54 different ethnic groups with a wide mix of various religions and a large number of people who subscribe to no religion all live peacefully together free of the religious and ethnic strife with which so many other countries are afflicted.

These strengths are the ingredients by which Vietnam will effectively address its shortcomings. Vietnam will succeed by integrating with the global economy. The question is which companies from which countries will grow their businesses in Vietnam, in short will grow with the country and by their engagement help shape the kind of market economy that emerges in Vietnam.

### III. GE BUSINESSES CURRENTLY IN VIETNAM

After former President Bush permitted American companies to establish representative offices in Vietnam, GE was among the first ten American companies to seize the opportunity, having obtained a license on June 18, 1993.

Several of GE's 11 major businesses, each with its own separate headquarters in the United States, have already successfully entered Vietnam's market.

#### GE MEDICAL SYSTEMS (GEMS)

Medical Systems, a global business, headquartered in Milwaukee, Wisconsin was the first of GE's 11 major Businesses to enter the Vietnam market, because medical equipment was included among certain humanitarian items exempted from the Trade Embargo by former President Bush in April 1992. Since 1993, GEMS has been selling ultrasound and x-ray equipment against stiff foreign competition from long established companies such as Siemens from Germany. GEMS has made a respectable beginning, including the sale of high-end Magnetic Resonance Imaging (MRI) equipment manufactured in Wisconsin.

#### GE AIRCRAFT ENGINES (GEAE)

GE Aircraft Engines, headquartered in Cincinnati, Ohio regards the Vietnam Airlines (VNA) as a strategic customer with significant growth potential. VNA airline has selected GE or GE joint venture engines with an aggregate value of some \$162 million to power its entire small fleet of Boeing and Airbus aircraft.

#### GE CAPITAL AVIATION SERVICES (GECAS)

One of the 29 major branches of GE Capital Services, headquartered in Stamford, Connecticut, GECAS has dry-leased 3 new Boeing 767-300ER aircraft to the Vietnam Airlines (VNA) for a period of 5 years. Now, over 3 years into the lease, GECAS, the worlds largest aircraft lessor, is favorably impressed with the management and the integrity of VNA, a customer which has always paid its lease obligations on time, even after the currency crisis hit the Pacific nations.

#### GE LIGHTING (GEL)

GE Lighting, headquartered in Cleveland, Ohio has gained a modest presence with annual sales running over \$1 million.

#### GE INDUSTRIAL CONTROL SYSTEMS (GEIS)

GE Industrial Systems, a global Business, headquartered in Salem, Virginia, is actively exploring a number of attractive opportunities from supplying equipment for the modernization of cement plants to crane control equipment for port facilities.

#### GE TRANSPORTATION SYSTEMS (GETS)

Headquartered in Erie, Pennsylvania, GETS manufactures locomotives as well as parts and components for its locomotives. In Vietnam, GETS has won two international bids (1996-97) to provide parts/components to the Vietnam Railways (VR). GETS is working on opportunities to sell new locomotives and to upgrade its old locomotives.

#### GE POWER SYSTEMS (GEPS)

GE Power Systems, headquartered in Schenectady, New York, manufactures steam turbines and generators in New York and gas turbines in Greenville, South Carolina. During tough international bidding, GEPS won the following contracts in Vietnam:

- first ever gas compressors for the White Tiger field to bring in gas from off-shore,
- 2 generators for Ham Thuan 300MW hydro plant (contract award February 1998), and
- 2 steam turbines and 2 hydrogen cooled generators for Pha Lai 2 600MW thermal, coal fired power plant.

### IV. IMPORTANCE OF JACKSON-VANIK WAIVER

We deeply appreciate the initial support of your sub-committee and ultimately of the entire Congress last year for the first waiver of the Jackson-Vanik amendment.

As a result General Electric is better positioned than ever to win the bidding opportunity which we presented last year, the Thac Ba Hydro upgrade project. In addition, GE is in a more competitive position to sell locomotives made in Pennsylvania and to bid on additional hydro projects.

As we mentioned last year, Electricity of Vietnam (EVN) had decided to upgrade a 30-year old hydro power plant named Thac Ba. The project tender calls for "supplier credit" which means the contractor must present a competitive financing proposal. GE's competitors include ABB (Switzerland/Sweden) and Siemens from Germany.

GE is extremely competitive from a technical standpoint because of its high quality, large number of reference plants and because GE, unlike ABB or Siemens, manufactures both the turbine and the generators, as well as the turbine and generator control equipment manufactured in Salem, Virginia.

GE is the first American company in Vietnam to have given the U.S.-Eximbank a specific (Thac Ba hydro upgrade) project request. Eximbank had already issued GE its letter of interest at the time we submitted our testimony last year. However, at that time, Vietnam had not yet decided which agency would provide the sovereign guarantee or which organization would sign a framework agreement with Eximbank, a precondition to Exim's operations.

Vietnam has now resolved the issue of how to provide Exim a sovereign guarantee for their loans and has designated the State Bank of Vietnam to sign the Framework Agreement.

Meanwhile, EVN gave GE the green light to present our feasibility study for the upgrade of Thac Ba.

Finally, Vietnam Railway is also exploring possible Eximbank funding for a new locomotive purchase.

Renewal of the Jackson-Vanik waiver is critical to GE's ability to pursue the Thac Ba upgrade, new locomotive opportunities and other infrastructure projects.

Winning Thac Ba would help position GE for further wins in Vietnam's growing hydro power market. It could be an important stepping stone to Son la, a giant 3,600MW hydro power plant.

Failure to sustain the Jackson-Vanik waiver could also greatly damage GE's chances against foreign competition on projects for which ODA funding is available and for which Eximbank financing is neither available nor desired.

For example, assume Vietnam's largest donor country, Japan, is funding a large project and GE happens to be competing with a Japanese company in this context. Even with "untied" aid, should both the GE and the Japanese company's proposal be roughly equivalent technically and economically, political considerations could become a factor in determining how Vietnam perceived its national interest. Stated differently, diminished U.S. involvement results in less U.S. leverage.

## V. CONCLUSION

Experience clearly indicates that as the U.S.-SRV relationship continues to improve on the basis of mutual respect and mutual benefit, progress will continue on all fronts. We will continue to work closely with the U.S. Government and we highly appreciate the active support for American business and American workers which we have received from Ambassador Peterson and his fine staff in Hanoi.

We will also continue our active involvement with such organizations as the U.S.-Vietnam Trade Council and AMCHAAM.

I believe that the most rigorous analysis suggests that there is no conflict in pursuit of US commercial objectives in Vietnam and our other national interests. In fact, they are positively correlated and mutually reinforcing.

LIBERTY FLAME FOUNDATION  
WESTMINSTER, CALIFORNIA 92684  
June 11, 1999

Honorable Phillip M. Crane  
Chairman, Subcommittee on Trade  
Committee on Ways and Means  
US House of Representatives  
Longworth House Office Building  
Washington DC, 20515

Ref.: *Reasons to oppose Vietnam's unconditional Extension of Jackson-Vanik Waiver and Normal Trade Relation*

Dear Mr. Chairman and Distinguished Members of the Trade Subcommittee:

I represent the interest of a group of Vietnamese American business executives who have been conducting business and charity work in Vietnam. Having lived and worked in Vietnam with extensive local contacts, I can objectively testify to the following reasons for not granting unconditional trade privileges to Vietnam's communist government:

1. The Vietnamese Communist Party (VPC) has absolute power in Vietnam and has become absolutely corrupt. Most of the benefits from trade with the US will be looted by the VPC and its corrupt members for their own selfish gains, and for oppression of the people of Vietnam to perpetuate its rule. Specifically, international companies, investors and applicants for exit visas have all been subjected to difficulties and delays by many layers of VN government for political persecution and for extortion. In fact, investment in Vietnam is very risky that many investors have lost all their investments, some even lost their freedom, due to Vietnam's corrupt government and its arbitrary and inconsistent interpretation and enforcement of the laws. For American companies to unconditionally provide the corrupt VPC with more economic resources now, is to become a tool for oppression, and to betray the budding wishes for more freedom and democracy by the people of Vietnam. American companies will help lengthening, not shortening, Vietnam's vicious cycle of oppression, hunger, ignorance and hopelessness.

2. With the implementation of 31/CP directive since 1998 that allows imprisonment of any political suspect for up to 2 years without charges, the VCP has become far more oppressive. The people of Vietnam is one of the most oppressed people in terms of religious and political freedom, as confirmed by UN' Special Religious Intolerance Envoy Abdelfattah Amor in his visit to Vietnam in Oct 1998. The VCP is still imprisoning 115 confirmed political prisoners, with hundreds more recently arrested, after civil disobedience and demonstrations in Thai Binh and Dong Nai .

3. It is not good business policies for American companies to obviously abandon American democratic ideals and principles in pursuit of short-term profit by aligning with the totalitarian communist government in a highly oppressed and inequitable country like Vietnam. The stock holders of these companies would most likely prefer that their executives take their businesses to stable and less risky countries with a good democratic traditions, rather than assisting an incompetent, oppressive, corrupt and violent minority government to perpetuate its rule.

4. American companies should not be duped by the ignorant Vietnamese communists with the prospects of short-term profit, and betray the sacrifices, pay for in sweat, blood and flesh by millions American boys and girls, who valiantly defended the cause of freedom and democracy in Vietnam.

The noble and secured ways for American companies to conduct business in Vietnam is to leverage our business opportunities and financial resources to educate and demand the Vietnam Communist Party to commit to serious reforms in its political, economic and social systems, to bring about long-term peace and stability, and to allow the people of Vietnam to partake fairly and equitably in the benefits of our trade.

To achieve these goals, we suggest that the *US government not to extend the Jackson-Vanik waiver, and to deny the Normal Trade Relation and any favorable trade concession to the government of Vietnam* until it meets the following conditions:

1. Vietnam must honor UN's International Covenants on Political and Civil Rights, in which it is a party, and grant immediate and unconditional release of all religious and political prisoners without confinement, harassment and surveillance.

2. Vietnam must immediately grant all its citizens freedom of religion, expression (speech, press, internet), congregation, movement and political alliances.

3. Vietnam must amend its present constitution to allow all individuals and organizations, besides the Communist Party, to compete openly and fairly in all social, economic, political and professional activities., with internationally-supervised elections.

Respectfully submitted,

NGUYEN PHAM TRAN  
*Managing Associate*

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**Statement of Hon. John McCain, a U.S. Senator from the State of Arizona**

As the United States and Vietnam work to resolve the few remaining obstacles to the conclusion of a bilateral trade agreement, I am pleased to submit this statement in support of extending the Jackson-Vanik waiver for Vietnam. I hope this hearing serves the dual purpose of reviewing Vietnam's record on freedom of emigration, as advanced by the Jackson-Vanik waiver, and reminding Members of Congress of the broader momentum in U.S.-Vietnam relations, including trade ties and efforts to account for our missing servicemen.

Although the Jackson-Vanik waiver may appear to be a minor, technical issue of little relevance to U.S.-Vietnam relations, it serves as an important tool for the advancement of American interests in Vietnam. Specifically, the President's decision to waive the Jackson-Vanik amendment last year has encouraged measurable Vietnamese cooperation in processing applications for emigration under the Orderly Departure Program, or ODP, and the Resettlement Opportunity for Vietnamese Returnees agreement, or ROVR.

The Jackson-Vanik amendment exists to promote freedom of emigration from non-democratic countries. The law calls for a waiver if it would enhance opportunities to emigrate freely. The numbers indicate that opportunities for emigration from Vietnam have clearly increased since the President waived the Jackson-Vanik amendment in 1998.

As of June 1, 1999, the Vietnamese Government had cleared for interview 19,975 individuals, or 96 percent of ROVR applicants. The Immigration and Naturalization Service has approved 15,833 ROVR applicants for admission to the United States as refugees. Last year, after the initial waiver was granted, Vietnam eliminated the requirement for ODP applicants, including Montagnards and former re-education camp detainees, to obtain exit permits prior to being interviewed by American officials.

Critically, on the day the President announced his decision to extend the Jackson-Vanik waiver in 1998, the Vietnamese government announced it would allow U.S. officials to interview all Montagnard ODP cases. Previously, many of these individuals had been off-limits to American interviewers, raising concern among many of us that Vietnam was denying Montagnards eligibility for emigration under the ODP. Clearly, the Vietnamese understood that the Montagnard issue was important to the United States, and they responded by meeting our demand for access to this group of people. Since that decision, the Vietnamese Government has cleared for interview 220 individuals, of which 118 have been approved by U.S. officials for resettlement in the United States.

In short, Jackson-Vanik is working. Vietnamese cooperation on outstanding emigration applications has increased. Vietnam has made important progress on its commitments under the January 1997 ROVR agreement with the United States. The vast majority of remaining ROVR applicants have been cleared for interview by U.S. officials. Pre-interview exit permits are no longer required for ODP applicants. American officials are actively interviewing Montagnards who wish to emigrate under the terms of the ODP. The Administration expects to complete almost all ODP refugee interviews within a few months, bringing to an end a process that has allowed over half a million Vietnamese to emigrate to the United States since the 1980s.

The Jackson-Vanik waiver has given momentum to this process. Revoking the waiver would likely stall this momentum, to the detriment of those who seek to emigrate.

We should also note the significant effect of the Jackson-Vanik waiver on U.S. businesses operating in Vietnam. The waiver has allowed the Overseas Private Investment Corporation (OPIC), the Export-Import Bank (EXIM), and the Department of Agriculture (USDA) to support American businesses in Hanoi, Ho Chi Minh City, and elsewhere. Competitors from other industrialized countries have long had the

benefit of lending and insurance guarantees provided by their own governments. Without such governmental support, American businesses in Vietnam suffered.

Withdrawing OPIC, EXIM, and USDA guarantees would hurt U.S. business in Vietnam and halt the progress on economic normalization that may soon lead to a bilateral trade agreement and Vietnam's accession to the World Trade Organization. It would reinforce the position of hard-liners in Hanoi who believe Vietnam's opening to the West has proceeded too rapidly. We should do all we can to encourage this opening by supporting the U.S. companies that bring trade and investment to Vietnam.

We should also be prepared to approve a U.S.-Vietnamese bilateral trade agreement, which is in the final stages of negotiation. Having visited Vietnam regularly throughout this decade, I can attest to the changes in Vietnamese society that have resulted from the limited economic reforms adopted by the government. Such change in the direction of a mildly freer, more prosperous society should accelerate with the liberalization of external trade relations. Although it is a long-term project, I take seriously the proposition that the growth of the middle class and greater exposure to Americans as a result of deepening economic ties between our countries will render Vietnam more susceptible to the influence of our values.

A number of outstanding differences continue to stand in the way of closer U.S.-Vietnamese relations. Human rights, including the freedom to speak, assemble, and worship, remain subject to the whims of political leaders in Hanoi. Political and economic reforms lag far behind American expectations. Our companies operating in Vietnam suffer from bureaucratic red tape and corruption.

Ambassador Peterson and the embassy staff in Hanoi are working diligently to address these legitimate concerns. At the same time, the 33 Joint Field Activities conducted by the Department of Defense in the past six years, and the consequent repatriation of 266 sets of remains of American military personnel during that period, attest to the ongoing cooperation between Vietnamese and American officials on our efforts to account for our missing servicemen. I am confident that such progress will continue.

Just as the naysayers who insisted that Vietnamese cooperation on POW/MIA issues would cease altogether when we normalized relations with Vietnam were proven wrong, so have those who insisted that Vietnam would cease cooperation on emigration issues once we waived Jackson-Vanik been proven wrong by the course of events since March 1998. Those of us with long experience dealing with the Vietnamese, including Senator Kerry, Ambassador Peterson, and U.S. military leaders responsible for our POW/MIA accounting, recognize that cooperation begets cooperation, and that the carrot is as effective as the stick in furthering our cause with the Vietnamese.

It is important to stress that the Jackson-Vanik amendment relates narrowly to freedom of emigration. It does not relate to the many other issues involved in our bilateral relationship with Vietnam. The Jackson-Vanik waiver is a tool we can selectively use to encourage free emigration. The waiver has contributed to that objective. Using it as a blunt instrument to castigate the Vietnamese government for every issue of contention between our two countries will not advance America's interest in free emigration from Vietnam.

Last year, I initiated a Dear Colleague letter to members of the House of Representatives signed by every Vietnam veteran in the Senate. There are those in Congress who remain opposed to the extension of Vietnam's Jackson-Vanik waiver. But they do not include any United States Senators who served in Vietnam and who, as a consequence, might be understandably skeptical of closer U.S.-Vietnamese relations. That unanimity of opinion reminds us that, whatever one may think of the character of the Vietnamese regime, such considerations should not obscure our clear humanitarian interest in promoting freedom of emigration from Vietnam. The Jackson-Vanik waiver serves that interest. Congress should support it.

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**Statement of Richard Daly, Board Member, Minnesota League of POW/MIA Families, White Bear Lake, Minnesota**

The intelligence in possession of the U.S. government clearly shows that the Vietnamese withhold vital information regarding the fate of United States missing servicemen last known alive. This is a fact.

It is also a fact that Ambassador Pete Peterson has refused to confront the Vietnamese regarding the fate of the missing men. Former Hanoi Bureau chief Bill Bell stated that even before he was ambassador, Peterson refused to ask the Vietnamese tough questions because it might "embarrass" the Vietnamese government.

Clearly the Vietnamese reneged on their promise to provide all POW/MIA information when the U.S. normalized relations. Promoting Vietnamese treachery is a disgrace, and the quick dollar will soon be lost to Vietnamese corruption. State Department documents show the Vietnamese admitted to Senator John Kerry that they hold a number of American citizens that they publicly deny all knowledge of. Perhaps Vietnam will kidnap family members of wealthy American businessmen, and perhaps when enough blackmail money is paid you will consider holding Vietnam to its word.

Let us trade with Vietnam, open and honestly, but only AFTER the Vietnamese keep their word. Anything else only promotes dishonesty and corruption.

RICHARD DALY  
*Board Member*

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NATIONAL LEAGUE OF FAMILIES OF  
AMERICAN PRISONERS AND MISSING IN SOUTHEAST ASIA  
WASHINGTON, DC 20036-5504  
*June 16, 1999*

The Honorable Phil Crane  
Chairman, Subcommittee on Trade  
Committee on Ways and Means  
*1100 Longworth House Office Building  
Washington, DC 20515*

Dear Mr. Chairman:

I deeply appreciate the Subcommittee's request to testify on the subject of U.S.-Vietnam Trade Relations and regret that our 30th Annual Meeting precludes my participation. From June 17-20th, the POW/MIA families and concerned veterans and other guests have come from across the country for official briefings on the status of efforts to account for America's POW/MIAs still missing from the Vietnam War.

Having very recently returned from another trip to Vietnam, Laos and Cambodia, I can attest to the fact that there is much more to be done. The emphasis must continue to be placed on generating greater unilateral action by the Vietnamese Government to locate and return remains and provide relevant documents that could help account for scores of Americans. Unilateral Vietnamese actions are also required to help accounting for the 444 still missing in Laos and the 74 still unaccounted for in Cambodia. The vast majority—nearly 85% in Laos and 90% in Cambodia—were lost in areas then under the control of Vietnamese forces. The US Government has repeatedly asked Vietnam for documents pertaining to losses in both countries, as have senior Lao and Cambodian officials, thus far to no avail. The leadership of Vietnam made many welcome commitments during our visit. If they decide to honor their pledges, all of which are defined in our enclosed Trip Report, then the League would have no objection to steps to improve bilateral economic relations. If they break their commitments, as has happened repeatedly over the years, then it would be impossible for the League to support further improvements. It is up to the Vietnamese leaders to keep their word, and the responsibility of the League and the US Government, both Congress and the Executive Branch, to monitor and measure the results.

Since 1970, the League has maintained realistic positions and have no intention of looking backward at this point in our history. Although we strongly disagreed with the President's stated basis for the many steps taken to improve economic and political relations with Vietnam, we accept the reality of decisions that have already been made. However, in taking each step, the President asserted that accounting results would improve and that the families were his primary reason for advancing the normalization process.

The many pledges that President Clinton has made to the families have repeatedly been broken, there is little leverage and few incentives that remain. Despite the hard work by many career officials, civilian and military, there is no question that in this administration, and rhetoric to the contrary, the accounting for missing Americans has not been a real priority. Responsiveness to the business community far outweighed the principle of standing behind those who serve. That is tragic, since it should not be a zero sum game, but a realistic assessment.

Rather than focusing on the status of the Jackson-Vanik Amendment, tied most directly to issues related to freedom of immigration, the League would ask that

careful scrutiny be applied to decisions upcoming on extending Normal Trade Relations, once a bilateral trade agreement is reached. US Ambassador to Vietnam Pete Peterson has publicly estimated that this agreement would be reached by the end of the year. Once that occurs, this administration will undoubtedly wish to move quickly to if their historical record is any indication. At that time, the League hopes that Congress will give serious consideration to the status of this issue, not evident in previous Subcommittee votes. I request that this letter and our Trip Report serve as the League's testimony for your hearing, to be included in the Congressional Record and distributed in accordance with Committee rules.

Respectfully,

ANN MILLS GRIFFITHS  
*Executive Director*

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#### STATUS OF THE POW/MIA ISSUE: JUNE 7, 1999

2,061 Americans are still missing and unaccounted for from the Vietnam War, though 468 were at sea/over water losses: Vietnam—1,534 (North, 554; South, 980); Laos—444 Cambodia—74; Peoples Republic of China territorial waters—8. The League seeks the return of all US prisoners, the fullest possible accounting for those still missing and repatriation of all recoverable remains.

The League's highest priority is resolving the live prisoner question. Official intelligence indicates that Americans known to have been alive in captivity in Vietnam, Laos and Cambodia were not returned at the end of the war. In the absence of evidence to the contrary, it must be assumed that these Americans may still be alive. As a matter of policy, the US Government does not rule out the possibility that American POWs could still be held.

Unilateral return of remains by the government of the Socialist Republic of Vietnam (SRV) has been proven the most effective means of obtaining accountability. Extensive field activities have brought some progress through joint recovery or turn-over in the field of remains fragments. From that process, 155 Americans have thus far accounted for by the Clinton Administration, all as a result of joint field operations. Archival research in Vietnam has produced thousands of items, documents and photos, *but the vast majority pertain to accounted-for Americans*. A comprehensive wartime and post-war process existed in Vietnam to collect and retain information and remains. For this reason, unilateral SRV efforts to locate and return remains and provide records offer the most productive short term potential. The Defense Department's case-by-case review and other evidence reveal that unilateral SRV efforts could bring many answers.

Joint field activities in Laos are productive and, increasingly, the Lao Government has permitted greater flexibility while US teams are in-country. Agreements between the US and the Indochina governments now permit Vietnamese witnesses to participate in joint operations in Laos and Cambodia when necessary. POW/MIA research and field activities in Cambodia have received excellent support. Over 80% of US losses in Laos and 90% of those in Cambodia occurred in areas where Vietnamese forces operated during the war; however, Vietnam has not yet responded to numerous US requests for case-specific records on US loss incidents in these countries. Records research and field operations are the most likely means of increasing the accounting for Americans missing in Laos and Cambodia.

Despite US intelligence assessments and other evidence that hundreds of Americans can best be accounted for by unilateral Vietnamese efforts to locate and return remains and provide relevant documents and records, President Clinton lifted the trade embargo, established a US Embassy in Hanoi, normalized relations and posted a US Ambassador to Vietnam. He has consistently certified to Congress, without supporting evidence, that Vietnam is "fully cooperating in good faith" or similar such language to resolve this issue. The burden is squarely on the current administration to obtain increased accountability. The League supports steps by the US *to respond to concrete results*, not advancing political and economic concessions in the *hope* that Hanoi will respond.

#### POW/MIA STATISTICS

STATISTICS ARE PROVIDED BY THE DEFENSE POW/MIA OFFICE

Live Sightings: As of June 3, 1999, 1,902 first-hand live sighting reports in Indochina have been received since 1975; 1,858 (97.69%) have been resolved. 1,300

(68.35%) were equated to Americans now accounted for (i.e. returned POWs, missionaries or civilians detained for violating Vietnamese codes); 45 (2.37%) correlated to wartime sightings of military personnel or pre-1975 sightings of civilians still unaccounted for; 513 (26.97%) were determined to be fabrications. 448 (2.31%) unresolved first-hand reports are the focus of current analytical and collection efforts: 36 (1.89%) are reports of Americans sighted in a prisoner situation; 8 (.42%) are non-POW sightings. The years in which these 44 first hand sightings occurred is listed below:

Year	Pre-76	76-80	81-85	86-90	91-92	93-94	95-96	97-99	Total
	27	8	0	2	0	1	1	5	44

Note: Statistics are provided by the Defense POW/MIA Office

Accountability: At the end of the Vietnam War, there were 2,583 unaccounted for American prisoners, missing in action or killed in action/body not recovered. As of June 17, 1999, 2,060 Americans are still missing and unaccounted for, over 90% of whom were lost in Vietnam or in areas of Laos and Cambodia where Vietnamese forces operated during the war. A breakdown of the years during which the 523 Americans were accounted for follows:

1974-1975 .....	Post war years: .....	28
1976-1978 .....	US/SRV normalization negotiations: .....	47
1979-1980 .....	US/SRV talks break down: .....	1
1981-1984 .....	1st Reagan Administration .....	23
1985-1988 .....	2nd Reagan Administration .....	156
1989-1992 .....	Bush Administration .....	113
1993-1996 .....	1st Clinton Administration .....	146
1997- .....	2nd Clinton Administration .....	8

Unilateral Vietnamese government repatriations of remains with scientific evidence of storage have accounted for 164 of the 387 from Vietnam; all but 3 of the 127 Americans accounted for in Laos have been the result of joint excavations. The breakdown by country of the 523 Americans accounted for from the Vietnam War: Vietnam 386\*, Laos 127\*, China 2, Cambodia 7.

\*4 remains were recovered from indigenous personnel; 1 from North Vietnam and 3 from Laos; in addition, one recently identified was actually recovered in Vietnam before the end of the war.

### League Delegation to Southeast Asia

May 11-22, 1999

A delegation of the National League of POW/MIA Families visited Thailand, Vietnam, Laos and Cambodia from May 11-22. In Thailand, the Delegation met with US diplomatic officials, Joint Task Force-Full Accounting (JTF-FA) and Defense Intelligence Agency (DIA) Stony Beach personnel. The visit to Vietnam, Laos and Cambodia reinforced to senior officials in each country the families' views regarding the status of efforts to achieve the fullest possible accounting for America's POW/MIAs from the Vietnam War. Representing all of the families were Chairman of the Board Jo Anne Shirley and Executive Director Ann Mills Griffiths. Richard T. Childress, National Security Council (NSC) Director of Asian Affairs from 1981-89, during both Reagan terms, and a Vietnam veteran, agreed to the unanimous request of the League's Board of Directors to serve as adviser on this mission.

In each country, the delegation was briefed by US Embassy, Joint Task Force-Full Accounting (JTF-FA) and Defense Intelligence Agency (DIA) personnel. Prior to departure, the Defense POW/MIA Office (DPMO), JTF-FA and the Central Identification Laboratory (CILHI) were very helpful in preparing updates on material that was utilized during the trip. The logistic support provided by all US Government organizations/agencies was invaluable, ensuring that the League Delegation's mission was carried out smoothly.

### BACKGROUND

This was the fourth League Delegation since the end of the Vietnam War in 1975. The first was in 1982, just after it was apparent that priority would be raised in

the Reagan Administration. From 1983–1993, the League’s Executive Director represented the POW/MIA families on numerous US Government delegations in which Childress also participated until 1989, including those led by former Presidential Emissary/Chairman of the Joint Chiefs of Staff General John Vessey, USA-Retired. A League Delegation in 1994 was comprised of former Chairman of the Board Sue Scott, Board member Colleen Shine and the Executive Director, who also participated in 1994 and 1995 missions led by Presidential Emissary Hershel Gober, then, as now, the Deputy Secretary of Veterans Affairs.

A League Delegation in May of 1997 included Board Chairman Jo Anne Shirley, Board member/returned POW LTC David Gray, Jr., USAF-Retired, and the Executive Director. At that time, it was the Board’s view that the League should attempt to send a delegation every two years to conduct an on-the-scene assessment of efforts and to ensure that all governments involved understand the families’ views. In January of this year, the Board made the final decision on the current mission, and, fortunately, the timing coincided with Childress’ travel on business in the region. He graciously altered his schedule to hold over in Bangkok awaiting the League delegates’ arrival before all embarked to Vietnam, Laos and Cambodia.

#### TIMING AND PURPOSE

The League has had both policy and operational concerns for the past several years. Our concerns stem from the destruction of POW/MIA criteria in the “road-map” on normalization of relations with Vietnam, the abolition of the POW/MIA Interagency Group, the consistently glowing remarks on the status of the issue from policy officials who are truly unfamiliar with the issue, the lack of integration of the issue into US foreign policy, the “turf battles” among US Government agencies and organizations with POW/MIA responsibilities, senior-level downgrading of accountability expectations, and the lack of new initiatives to move this issue toward resolution.

This state of affairs has generated perceptions by Vietnamese and, to a lesser extent, Lao and Cambodian officials that the US Government and, by extension, the American public is satisfied that all that could possibly be done is either underway or completed. While the families, informed veterans, some in Congress, and many current and former officials know this is not true, the perception hampers implementation of what is stated as a highest priority.

Since President Clinton has repeatedly certified to Congress that Vietnam is “fully cooperating in good faith” to resolve the issue, or similar such language, it was considered very important to convey to senior Vietnamese, Lao and Cambodian leaders the families’ views on what we consider full cooperation, to reinforce the positive aspects of the government-to-government efforts, and provide our frank assessment of where improvements are needed. It was also timely to conduct an assessment due to the Clinton Administration’s publication of a National Intelligence Estimate (NIE), the declassified summary which seriously downgraded, even dismissed, earlier intelligence assessments on which long-standing accounting expectations have been based. The League Delegation also sought firsthand knowledge from participants in the joint accounting process, both US officials and those of Vietnam, Laos and Cambodia.

The Clinton Administration is moving to reach a trade agreement with Vietnam and grant Normal Trade Relations, or NTR, (previously Most Favored Nation status) by the end of this year. Therefore, the Delegation looked closely at the level of Vietnamese cooperation, as well as that of Laos and Cambodia. Other priorities included seeking improvements in the accounting process—the US Government’s approach to both joint activities and unilateral efforts by the governments of Vietnam, Laos and Cambodia—to ensure that *all* available assets and resources, including DIA’s POW/MIA team, Stony Beach, are being fully utilized to expedite and increase accounting results.

In the view of the League, veterans, former and current US officials, and key Members of Congress, cooperation in “full faith” requires renewed unilateral actions by Vietnam. The Delegation reinforced this position, as well as the continuing need for joint field operations, particularly in Laos. Joint field activities alone cannot achieve the fullest possible accounting; increased unilateral effort by Vietnam is required, including effort to locate and return identifiable remains. Without such effort, “full faith” cooperation by that government is not a sustainable conclusion.

We believe we made progress on all of these issues, but ultimate success will be dependent upon effective follow-up by the US Government and a sincere effort by the governments of Vietnam, Laos and Cambodia to carry out the welcome commitments made to us, as outlined in this report. We found some very dedicated, hard-

working military and civilian personnel in JTF-FA, Stony Beach and on the US Embassy staffs who care deeply about their mission.

We also found evidence of “turf wars” that are hampering the most effective pursuit of the issue and attitudes among some that simply reflect the current administration’s policy of pursuing the issue without interfacing with other priorities. These problems are of concern, and the League is providing specific recommendations to our government. We believe the executive branch can solve them and that is our expectation. Such problems are unnecessary obstacles to a truly effective effort and waste some of the considerable resources dedicated to obtaining the fullest possible accounting.

While this and other trips cost the League significant resources, we believe they are worthwhile, an attitude expressed to us by officials of all governments. By providing continuity of objective expectations and a critique by the families on a regular basis, we can bring new ideas and, hopefully, revitalization of government-to-government efforts which we support as the only possible means to receive answers.

#### THAILAND

In Bangkok, final preparations were made for discussions in Hanoi, Vientiane and Phnom Penh. The Delegation met with the US Ambassador to Thailand, Richard Hechlinger, DIA’s Stony Beach Chief COL K.C. Marshment, USA, and LTC Jeff Smith, USAF, JTF-FA Detachment 1 Commander. The support and assistance provided by JTF-FA and Stony Beach immediately prior to departure for Hanoi are deeply appreciated and were most helpful. Another significant contribution during the time in Bangkok was the gracious hospitality of Ambassador Hechlinger in making his official Guest House available for the League’s use, saving the League funds otherwise necessary for the trip.

#### VIETNAM

The first meeting was at the US Embassy with US Ambassador to Vietnam Douglas “Pete” Peterson, during which the Ambassador provided his views on bilateral interests in general as well as where he feels things currently stand on the issue. The League Delegation conveyed to the Ambassador the purpose and approach to be pursued while in Hanoi. This was followed by a lengthy, very interesting session at JTF-FA Detachment 2, commanded by LTC Matt Martin, USA. The level of knowledge and the depth of the briefing on current JTF operations was helpful, as was the direct interchange between all participants. The support of MSgt Ron Ward, a skilled Vietnamese linguist, was greatly appreciated, including an added requirement to make adjustments to an already full schedule.

The Delegation would have gained useful insights from a proposed visit to the site of an ongoing underwater excavation, but time requirements precluded accepting the invitation. The need to first meet with appropriate senior officials and lay out the concerns and initiatives, then discuss in greater detail and provide suggestions for implementation to representatives of the Vietnam Office for Seeking Missing Persons (VNOSMP), allow time for policy-level Vietnamese consideration, and then a wrap-up meeting with VNOSMP, at which the League Delegation would hear the consensus response of the Vietnamese Government, precluded spending an entire day traveling to and observing a joint field operation.

Meetings were held with three senior Vietnamese officials—Vice Minister of Foreign Affairs Nguyen Dinh Bin, Vice Minister of National Defense LTG Tran Hanh, and Vice Minister of Public Security Services (prior Ministry of Interior) Nguyen Khanh Toan. Each discussion focused on the need to find solutions to problems that are impeding efforts to achieve the fullest possible accounting. The Delegation defined that objective, shared by all involved, as the man returned alive, or his identifiable remains or convincing evidence as to why neither is possible. It was clearly noted that archival records, while of intense interest to many in the US and elsewhere, become critical to the families *only* in the absence of the man alive, his identifiable remains or if such records provide leads that can determine fate or recover remains.

The League noted that since the trade embargo was ended in 1994 and bilateral relations were normalized in 1995, the expected increase in accounting results had not occurred. The League urged further expansion of unilateral efforts to locate remains, archives and sources of information, including on cases of Americans missing in Laos and Cambodia. (According to US officials, unilateral investigative efforts in Laos are bringing increasingly useful information.)

Five specific areas were raised as warranting attention. These included the need for renewed unilateral efforts, provision of archives regarding incidents in Laos and Cambodia, expanded research to locate additional records on cases in Vietnam, im-

proved use of assets and resources, and the need to expedite the step-by-step investigative process to facilitate more rapid results. Each Vice Minister was asked to support later, more detailed talks with VNOSMP members.

The Delegation noted a growing sense of impatience and urgency on the part of family members and American veterans due to the passage of time and advancing ages of both family members and sources. The League expressed concern that opportunities are being missed, since despite increased military-to-military contacts between the two countries, dedicated Stony Beach assets have not been fully utilized on POW/MIA matters. Noting that US Government sensitivity and reluctance could stem from lack of knowledge regarding history and the origin of defining the issue as humanitarian, the League clarified that all US officials with POW/MIA responsibilities, including Stony Beach personnel, have only one agenda—the accounting for missing Americans—and expressed the hope that Vietnam would welcome use of *all* qualified personnel, including DIA's Stony Beach, who could help focus the effort to bring increased results.

Finally, the Delegation expressed appreciation for some improvements in joint operations since the first excavation in 1985, but noted concerns that the step-by-step approach on case resolution may be a reflection of process overtaking results. Following a well-received explanation of historical negotiations and initiatives by the League's adviser—what worked and what didn't work—there was clear understanding and acknowledgment by senior Vietnamese that more can and should be done. The League expressed confidence that Vietnam could unilaterally take significant steps to expedite answers.

All of the Ministers stated their government's commitment to continue cooperating fully with the United States on a humanitarian basis, separate from other issues, and offered assurances that Vietnam is doing its best to provide support and assistance. They rejected any suggestion to the contrary, but noted that they could and would work harder and encouraged further dialogue with VNOSMP to discuss initiatives that could move the process forward.

The Ministers also stated their understanding of the need to expedite results in view of the advancing years of both family members and potential sources. They added, however, the notion that the work is becoming harder since the "easiest cases" had been resolved, leaving both governments with the "most difficult cases" still requiring attention. This was a recurring theme that the League is not yet convinced is supportable without greater unilateral Vietnamese initiative.

Vice Foreign Minister Bin was very familiar with the status of the issue. He indicated that all visiting delegations—congressional and veteran—have commended Vietnam's cooperation and assistance. He noted that although the Vietnamese people had suffered tremendous losses, they help with the accounting effort out of a spirit of cooperation and humanitarian concern. As anticipated, and reflecting some US Government public statements, Minister Bin noted that only 43 Last Known Alive (LKA) cases remain under investigation. However, as the League indicated in its updated material, relatively few have been accounted for through return of identifiable remains and only 10 remains now at CILHI are believed to relate to Americans previously listed as LKA cases. Further, fate determinations, important as they are, do not resolve the accounting issue.

Vice Minister Hanh (MND) was equally well versed and voiced many of the same points, as did Vice Minister Toan. Both characterized the decrease in remains repatriated as "realistic" since the easy cases had long ago been solved, a consistent theme. Minister Hanh noted that there are increasing problems as the VNOSMP seeks cooperation of local citizens, citing the extent of effort made to investigate the Phou Pha Thi (Lima Site 85) incident and that a primary witness to that incident, now 75 years old, is unwilling to participate further. Despite these realities, Vice Minister Hanh welcomed the list of problem areas that the League believes should be central and pledged to work with the US to address them.

The initial working session with the VNOSMP, chaired by Mr. Nguyen Ba Hung, Deputy Director of North American Affairs, focused in greater detail on the key areas raised to the Vice Ministers. After first explaining that the League's primary purpose was to seek solutions, not cast aspersions or place blame, greater detail was provided regarding the areas that need attention, and League suggestions on specific initiatives to be discussed.

In exploring the area of archival research, the League pointed out examples: Politburo records, service level intelligence documents, and documents such as the Group 559 Summary of incidents along the Ho Chi Minh Trail, that raise logical questions, rather than bring answers. Indicating our view that the archival effort is incomplete and requires further effort, the League suggested various approaches for consideration. It was apparent from the reaction of long-standing VNOSMP members that official US explanations to the League and the public since 1992 have been inad-

equate in describing efforts that took place in the early 1990s; the US Government needs to ensure that the families are fully informed.

The VNOSMP Chairman indicated that archival research was allowed precisely because the SRV understands that documents are crucial when remains are not available. A senior VNOSMP official provided details about the nature of efforts by the joint Archival Research Team (ART) from 1992–95, a thorough description that was helpful, informative and appreciated. Many of the details provided by the Vietnamese were unknown to the League Delegation, thus the families. The League has requested a full rundown on the ART effort from 1992–95. (Poor communication by the US Government can be directly attributed to the Clinton Administration's decision to terminate the POW/MIA Interagency Group in which the League Executive Director participated as a full member from its formation in 1980 until terminated in 1993.)

The League raised a serious concern that films turned over to German television producers for commercial purposes had not been fully reviewed by the US. The Vietnamese acknowledged the potential problem and said that these and all other films will now be jointly screened before release.

On the subject of further efforts on archival research to help resolve incidents that occurred in areas of Laos and Cambodia where Vietnamese forces operated during the war, the League proposed consideration of four-party discussions between officials of Laos, Cambodia, Vietnam and the United States. Noting first that any such multilateral conference would require structure and an agenda agreed upon by all parties on an equal basis, the League suggested that the initial topic should be archival research and noted our intention to raise the concept during upcoming discussions in Laos and Cambodia. VNOSMP's reaction was positive, but their apparent first priority was to focus on resolving difficulties that arise in dealing with the border cases.

The first session with VNOSMP ended by their noting that although a great deal of work had been done, as evidenced by the lengthy description of actions by the ART, Vietnam has continued archival research and turned over additional documents since the ART's work had ended. The VNOSMP Chairman pledged to continue the effort, both unilaterally and jointly, and to revitalize the previous ART effort, offering to coordinate a specific plan with JTF Detachment 2.

VNOSMP also appealed for more US continuity by extending the tour of the JTF Detachment Commander from one to two years. Further, they stated that the current pace of Joint Field Activities (JFAs) interferes with unilateral efforts that they wish to accomplish, noting that the previous schedule of 30-day breaks between JFAs no longer applies. The VNOSMP suggested efforts need to be made to decrease unnecessary field work to allow more time for periods devoted exclusively to unilateral work. They specifically stated that they want to do more unilaterally and asked that this message be brought back.

At the wrap-up meeting the following day, the official Vietnamese Government position on the five points raised by the League was provided, initially in an oral presentation and formalized in writing, dated Hanoi, 14 May 1999, in a document entitled "REGARDING THE 5 AREAS OF CONCERN AND PROPOSALS OF THE NATIONAL LEAGUE OF US MIA FAMILIES."

In addressing the five specific areas raised by the League, VNOSMP expressed appreciation for the suggestions that they view as a "reflection of the concern and great responsibility of the League's leadership." VNOSMP went on to state that the suggestions would "enable the VNOSMP and the US agency seeking missing Americans, our direct contact of which is the MIA office in Hanoi, to seriously research and examine the process" of efforts to account for Americans still missing from the war. League areas of concern are provided below in bold type, followed by the official Vietnamese response and League comments.

Unilateral repatriation of remains essentially halted in 1990. The League wishes to explore ways to reenergize these efforts and has developed some ideas. We look forward to discussing them, to include the repatriation of remains and remains fragments, and soliciting Vietnamese ideas as well.

While joint operations have improved in very positive ways since the first excavation in 1985, the League has concerns that the incremental, step by step approach in research is a reflection of process overtaking results. We are convinced that Vietnam can take significant steps unilaterally to identify site locations for more immediate excavation, bypassing some of the ponderous incremental investigative steps now being conducted bilaterally.

*SRV On Unilateral Vietnamese Efforts:* "VNOSMP completely agrees with the League's proposal that in the unilateral process, Vietnam's specialists will be proactive in developing investigation requirements provided by the US, with the objective of attaining the best results." The VNOSMP also pledged to "increase unilat-

*eral activities such as investigations, recovery of remains which citizens voluntarily provide, site surveys, archival documents relating to US personnel missing from the war, searching for witnesses, etc. In this process, VNOSMP will consider as a priority the task of finding the fullest possible answers to discrepancy and last known alive cases; paying attention to the cases that the League is concerned about in the 'Blue Book Document' handed over to the VNOSMP in 1994, updated in the 'Black Book Document' handed over to the VNOSMP during the League Chairman's and Executive Director's visit to Vietnam from 12 to 14 May 1999."*

*Comment:* The League has long maintained that renewed and increased unilateral efforts by Vietnam are needed. A "proactive" Vietnamese effort, if seriously implemented, would expedite concrete accounting results and bring greater efficiency to the joint field operations; however, as can be noted, there is still too much emphasis on leads provided by the US.

*SRV on Recovering and Repatriation of Remains—"The VNOSMP will continue to increase encouraging Vietnamese citizens to turn over missing American service member's remains, through veterans organizations and other societal organizations at the local area throughout the nation in order to collect information and remains associated with individual American service members missing from the war."*

*Comment:* In the oral presentation, the Vietnamese acknowledged previous remains recovery and storage in various locations that were the most accessible and turned over unilaterally. Hopefully, this new commitment will bring forward those remains not yet repatriated. Since 1986, the Government of Vietnam has made occasional public announcements urging citizens to cooperate in searching for American remains and has published official directives through People's Army of Vietnam and Communist Party channels. This current commitment, in response to the League's suggestions, extends to a broader audience and provides a logical vehicle for expanded unilateral efforts that can bring forward increased accounting results. The Vietnamese also noted their efforts to block remains trading which they try to balance with encouraging the voluntary turnover of remains by citizens.

89-90% of losses in Laos and Cambodia were in areas under PAVN control. The League has made requests to Vietnamese officials on numerous occasions to provide such records. Officials from Laos and Cambodia, as well as US officials, have made similar requests for many years with no response. The League has developed ideas concerning this problem which we look forward to discussing, and we are also eager to solicit Vietnam's solutions.

*On Trilateral Cooperation/Four-Party Conference—"The VNOSMP pledges to continue active cooperation with Laos and Cambodia in resolving the cases along the Vietnam-Laos border as well as the Vietnamese-Cambodian border; agree with the League's idea that holding a trilateral technical meeting between Vietnam, Laos and Cambodia with the participation of a US government representative is crucial to raising effectiveness and cooperation, since these cases remaining are the most difficult."*

*Comment:* Whether "technical" or policy level, or a combination, a Four Party Conference to address specific concerns will, of necessity, require policy level endorsement by each government. (The concept for such a conference is discussed later in this report.) The first "trilateral" conference, hosted by Vietnam in 1995, did not include Cambodia. While some of the border cases are difficult, they are made more so by Vietnam's failure to date to provide relevant documents, despite requests from the US, Lao and Cambodian governments. Vietnamese concerns on border coordination do not address the archival gap raised by the League in the context of a Four Party Conference. Vietnam has identified some sources and made them available for interview, but not to the extent necessary to increase results that greater effort could produce.

The archival research effort is incomplete and raises more questions than answers. The League has developed discussion topics and ideas that we look forward to exploring with Vietnamese officials.

*SRV on Archival Research: "The VNOSMP will continue efforts to find files and documents associated with American personnel missing from the war, and if found will turn them over to the US government."*

*Comment:* Recognizing that there are cases where remains will not be recoverable, the quality of cooperation on this important aspect of the accounting effort is crucial and needs improvement. Lao and Cambodian officials recognize that success in the accounting effort in their two countries depends in large measure upon obtaining relevant files and access to firsthand sources of information who served in the areas where incidents occurred. While some progress has been made in this area, the vast majority of files and documents thus far received pertain to returned POWs, not Americans still missing.

Diplomatic relations has been restored and military to military contacts are developing. These are positive steps, but exchanges in the contact of resolving the POW/MIA issue have not been fully utilized. Much of the reluctance on the US side, mistakenly in the League's opinion, relates to misunderstanding the origin of defining this issue as humanitarian and not being aware of past history. The League has some ideas on this subject that we wish to discuss, and solicit Vietnamese ideas on this as well.

*SRV on Full Utilization of Resources: "The component of US MIA teams operating in Vietnam which the US sends to Vietnam must have the aim and objective of searching for missing American service members only, absolutely no other work, and must follow every rule and law of Vietnam."*

*Comment:* In their oral presentation, the Vietnamese stated that the integration of teams was no problem as long as team members only do "MIA work," a welcome statement. This subject was raised due to some US Government reluctance to allow trained collectors in Stony Beach to participate on teams conducting in-country investigations. Since 1992, the members of DIA's Stony Beach team have rarely participated, thus squandering the experience, language and training to maximize time spent and the quality of field investigations and surveys.

Vietnam's agreement (and later agreement by the Lao Government) to permit personnel sent by the US Government, so long as their mission is limited strictly to POW/MIA matters, clears the way for renewed Stony Beach involvement. The Cambodian Government has allowed the US to use whatever resources it deems appropriate to pursue answers on America's POW/MIAs and has cooperated closely with DIA's Stony Beach team. Hopefully, there will be no further excuses from the US Government for not using *all* available assets to achieve the fullest possible accounting.

Assessment: Vietnam's specific commitments are welcome, as was the frank, open dialogue. Implementation and results will be the key to gauging their seriousness since countless promises have been made and broken in the past. Implementation of these pledges should be closely monitored by the US Government and Congress and will be closely watched by the League. Results must be reported accurately by all involved to the families and the American people. The League hopes to report later that the commitments are being carried out and greater results are forthcoming.

The Four-Party Conference offers an opportunity to expand the accounting process into new areas of cooperation. To succeed, all parties must give careful consideration to structuring sessions so that they will be productive for the issue and useful in moving the accounting effort in a positive direction. This League initiative is intended to break the endless passing of papers which the Vietnamese also indicated has little utility. Properly structured, this initiative can result in real exchanges on potential solutions and information that increases accounting—the key measure of success for us.

## LAOS

The League Delegation first met with US Ambassador to Laos Wendy Chamberlin to get an update on her views regarding the broader spectrum of US-Lao relations; she assessed the level of POW/MIA cooperation as increasingly responsive, helpful and productive. In preparation for subsequent discussions with senior Lao officials, the Delegation also met with and was briefed by LTC Bob Gahagin, USA, Commander of JTF-FA Detachment 3, and other members of the JTF and US Embassy staff. These sessions, including extended time with JTF-FA Detachment 3 personnel, were most helpful and appreciated, as was the hospitality of Ambassador Chamberlin in accommodating the League Delegation at her official residence, as she did in 1997. The Ambassador also hosted a dinner in the League Delegation's honor, inviting Lao guests.

The most senior meeting with the Lao Government was held with Deputy Prime Minister and Foreign Minister Somsavad Lengsavad. The League Delegation met with this key official for cordial and very constructive discussions. Ambassador Chamberlin, LTC Gahagin and JTF linguist/specialist Bill Gadoury accompanied the League representatives. Informal discussions were also held with H.E. Soubanh Srithirath, Minister to the President's Office (former Vice Minister of Foreign Affairs), who hosted a private luncheon.

The same general points were raised in each official meeting, and the Delegation appreciated discussions with LTG Ai Soulinaseng, Vice Minister of National Defense (MND) and COL Sisophon Bangonesengdet (known to the League since 1982), MND Director of the Foreign Relations Department. Detailed talks were held with Mr. Amphone Phiphacphommachanh, Acting Director General, Department of Euro-

pean and American Affairs, Ministry of Foreign Affairs (MFA) and the Lao ADHOC (POW/MIA) Committee. Mr. Amphone also graciously hosted a dinner for the League Delegation.

The League expressed appreciation to Deputy Prime Minister Somsavad for the significant progress achieved through bilateral cooperation over the years since the first post-war League delegation in 1982. Improvements in the joint field operations, initiated in 1985, were recognized, as was the increased flexibility and positive attitude now evident on the part of Lao officials. Noting the continuing need for the process to be studied and improved, the League suggested that the Lao Government should also continue seeking ways to expedite results.

Several specific areas were then addressed, including the increase in Lao unilateral investigations, cited as a very positive step on which many future efforts depend. Noting that such efforts are key to identifying relevant archival materials, obtaining information from current and former Lao officials with personal knowledge of U.S. losses, and conducting advance preparation for joint field operations, the League requested an increase of 2-3 people to the Lao team. Now numbering only 10 Lao officials, the League suggested that it is extremely difficult for so few to handle all unilateral Lao efforts and expressed the hope that the request would receive serious consideration.

Noting that since the Delegation's arrival in Vientiane a Lao citizen had brought remains to the US Embassy and turned them in, the Delegation expressed appreciation for the Lao Government's assistance in encouraging such humanitarian actions. A request was made for further announcements to be made on a regular basis, using channels of communication at every level.

Another area of concern raised by the League is the need for Lao language specialists that are often difficult for the US Government to identify and hire. Recognizing that there had been sensitivity in the past to using such personnel, the League expressed the view that due to the passage of years and long-standing US Government support of continued improvements in bilateral relations, such sensitivities should no longer pose any obstacle. The League urged understanding of this problem by the Lao Government and requested acceptance of ethnic Lao-Americans to ensure that positions can be filled with the most qualified personnel. It was pointed out that assistance by such linguists is critical not only to accomplish successful joint investigations and excavations, but also to facilitate the medical treatment of Lao citizens that is conducted during each joint field activity.

Raising the need to maximize effectiveness during joint field operations, the League also requested utilization of all resources, including those with language and collection qualifications, and consideration of expanding the total number of US officials from 40 to 50 during the months when conditions are best. In this context, and recognizing the limited resources of the Lao Government, the expansion in number was encouraged due to the backlog of excavations now pending, with the passage of time decreasing the likelihood of answers.

Noting that the League Delegation had just come from meetings with senior officials in Hanoi, the key Vietnamese commitments that relate to Laos were explained, including Vietnam's agreement to the proposed Four Party Conference to deal with specific concerns, such as resolution of the border cases. Also noted was the fact that the League's only interest is in documents that relate to the POW/MIA issue, both policy concerning handling of POWs and remains, and information that could help resolve individual cases. Lao views on the concept of the Four Party Conference were also requested. LTG Ay indicated that the Ministry of Defense had held meetings and seminars to explore ways to help in the accounting effort and that this is a continuous process. He noted that the terrain in Vietnam is easier to deal with than in Laos. On documents, LTG Ay said they need them from Vietnam and hope to obtain more.

Deputy Prime Minister Somsavat provided assurance of the Lao Government's continuing commitment to do its best to resolve the issue, noting that such cooperation is not linked to any other issues. The Minister seemed pleased that the Lao unilateral team was viewed as productive by the League and the US Government, a view with which he agreed, and pledged to intensify such efforts. (In a later working session, the Lao indicated that they have begun oral history interviews at the local level, described as a "bottom-up" approach.) Somsavad agreed to consider additional personnel, but added that there is a limit to the number of Foreign Ministry personnel and that existing requirements were already heavy, with too few people to handle them. In response, the League suggested assigning additional military personnel for this purpose, a suggestion Minister Somsavad agreed to consider.

The Minister was pleased to see progress from official efforts to encourage Lao citizens to cooperate by providing information and remains, and agreed to make further such announcements on a regular basis, using established channels throughout

the country. He discussed the concept of a meeting of officials from various levels that he would convene and allow US Government representatives to lay out their concerns and ideas—a welcome initiative which needs follow-up by the US Government.

Minister Somsavad qualified his acceptance of skilled language specialists by stating that such officials should focus solely on POW/MIA and adhere to Lao law and customs, but agreed that the Lao Government was willing to determine suitability with the US. The request to expand the US team beyond the 40 per joint field operation was rejected, noting that the joint field teams have now increased efficiency, even completing operations ahead of schedule, thus there appeared to be no need for any expansion at this time.

The Minister endorsed the concept of the Four Party Conference, noting the Lao Government's previous offer to serve as host. Concerning archival research and documents, the Minister acknowledged that Lao records are incomplete, but indicated that the Lao ADHOC (POW/MIA) Committee could focus on further archival research in phase two of its efforts, once its reviews of wartime film at national and provincial levels have concluded. Minister Somsavad also stated that Vietnamese records should be relevant and useful, indicating that prior Lao Government requests had gone unanswered, but would be renewed.

Assessment: The strategy for discussions with the Lao Government posed entirely different challenges from those faced in Vietnam. The decision-making process in Laos on POW/MIA matters is now focused on His Excellency Somsavad Lengsavad, Deputy Prime Minister and Minister of Foreign Affairs, thus discussions with him came as the final, wrap-up meeting. The exchanges at every level were cordial, straightforward and sensitive to the need of the families for answers as rapidly as possible. Minister Somsavad was open to League proposals and had the authority to respond, with no requirement for further consultations.

The League Delegation was pleased with the initiative to host a Lao officials meeting and with positive responses on the concept for the Four Party Conference, expanding the Lao unilateral team, and willingness to accept ethnic Lao American team members so long as they focus solely on POW/MIA matters and are sensitive to their surroundings. US Government follow-up is needed to get additional personnel assigned to Lao unilateral efforts, to operationalize the Lao officials meeting, and to structure the Four Party Conference. In view of existing requirements and anticipated increases, the Lao need to be more flexible on the number of US personnel allowed in-country for joint field operations. As is always the case, the League will be closely monitoring Lao and US Government implementation.

#### CAMBODIA

Though there are only 74 Americans still missing and unaccounted for in Cambodia, this devastated country, by all known assessments, including the League's, "fully cooperates in good faith" with the US on efforts to account for missing Americans. Since inception of the cooperative process in 1992, Cambodian officials have consistently provided outstanding cooperation, conducting unilateral actions to assist and support joint field operations in every way requested by the United States.

Background: Prime Minister Hun Sen, then serving as the Cambodian Foreign Minister, agreed to the League's 1984 request to accept the case files of all Americans then missing and unaccounted for in Cambodia, pledging to do what he could on a humanitarian basis. (This occurred long before there was recognition of Cambodia, then still occupied by Vietnam, much less government-to-government cooperation in the field.) Since that time, JTF-FA and CILHI have conducted site excavations whenever and wherever a location was confirmed, often under very difficult circumstances.

There has also been close cooperation with DIA's Stony Beach Team in conducting investigations and archival research, unless interrupted by US Government sensitivity. The tragic plight of the Cambodian people under the Khmer Rouge regime from 1975-78, as well as political turbulence since that time, has complicated efforts to account for Americans still missing in that country, as has the fact that 90% of the losses in Cambodia occurred in Vietnamese-controlled areas. Despite these obstacles, the Cambodian Government has made available senior historians and other officials, including a very active POW/MIA Committee, to pursue whatever leads and avenues have been suggested by the US.

The League appreciates the hospitality afforded by US Charge d'Affaires Carol Rodley in hosting a reception for the League Delegation at the Ambassador's Residence (Ambassador Ken Quinn was out of the country), as well as the support and information provided by US Defense Attache COL Bill McMillan, USA, COL K.C. Marshment, USA, Stony Beach Team Chief, and LTC Jeff Smith, USAF, JTF-FA,

and other members of the US Embassy staff in Phnom Penh. The brief visit to Cambodia was filled with important and useful meetings, resulting in positive responses and firm commitments.

Immediately after arrival at the airport in Phnom Penh, the League Delegation went directly to meet with Prime Minister Hun Sen at his residence, accompanied by Charge d'Affaires Carol Rodley and other US officials. The League Delegation first expressed sincere appreciation for the outstanding support and cooperation since inception of bilateral cooperation, despite the multiple tragedies and loss of loved ones that the Cambodian people have suffered.

The League recognized some of the difficulties found in working to account for Americans missing in Cambodia, especially the fact that 90% of the US losses occurred in areas then under Vietnamese control. Noting the importance of trilateral cooperation on these border cases, the Prime Minister was again urged to raise the need for archival documents and witnesses during future contacts with his counterpart, Vietnamese Prime Minister Pham Van Khai.

In the context of pursuing information and leads on individual cases, the League presented a partial list of Vietnamese officials who had served in Cambodia and would likely be known to current and former Cambodian officials, requesting that unilateral Cambodian efforts be made to locate them for interviews. (The list was a duplicate of that provided to senior Vietnamese officials in the hope that the two governments would cooperate in locating these individuals.)

Referring to the Prime Minister's previous letter in answer to the League's January request, the Delegation expressed appreciation for his pledge to seek information from former Khmer Rouge officials. Noting that unilateral Cambodian interviews are more likely to succeed in screening such individuals for relevant information, the League suggested that follow-up interviews by the US could then occur, as needed. A request was made that these efforts proceed as quickly as possible in view of the advancing age of sources and family members who long for answers.

Recognizing the need for trilateral and multilateral cooperation, particularly with archival research, the League proposed the concept of the Four Party Conference and requested the Prime Minister's views, noting that the subject had also been raised in Hanoi and Vientiane.

Finally, the League expressed regret over the lack of a more active US Government POW/MIA effort in Cambodia over the last two years, noting the rationale for decreased activity as being a reflection of political and safety concerns by some, not decreased interest. The League expressed optimism that an active program would now resume and gratitude that H.E. Chey Saphon was still eager to participate, noting his long-standing relationships with Vietnamese and Lao historians as especially helpful.

Prime Minister Hun Sen first briefed some present (who did not know) on the history of cooperation between the League and Cambodia, stating his commitment to continue doing whatever is needed to assist and that he considers cooperation on this issue as a responsibility. He noted that the Cambodian people have suffered and lost so many family members that they understand and want to help on a humanitarian basis. He also expressed sensitivity to the hardship of uncertainty, mentioning that he had written a song about the subject of missing loved ones.

On the subject of trilateral cooperation, the Prime Minister stated that after 1970, the border areas were mostly under Vietnamese control. He stated that Vietnam also would have information on cases in Laos, thus the importance of trilateral cooperation, adding that during that time forces were traveling back and forth along the border. He noted that within the week, he would be meeting with the Vietnamese Prime Minister and would use that opportunity, as he had before, to personally raise the need for Vietnam's assistance on archival records and ask him to urge the Vietnamese people to cooperate.

In that same context, Prime Minister Hun Sen stated his strong support for the Four Party Conference, indicating that Cambodia would host the first such meeting, after consulting with Vietnam and Laos. He noted that trilateral meetings had been held in the past, but not yet the four parties all together. The Prime Minister stated his intention to assign his son (1999 graduate of West Point Military Academy) to the Cambodian POW/MIA Committee. He expressed his hope that his son might be able to participate in organizing the Four Party Conference during the summer months before returning to New York to continue his education, pursuing a graduate degree in economics.

The Prime Minister agreed with the need for getting access to former Khmer Rouge officials, noting that some may have information and pledged to take advantage of opportunities to obtain answers. He indicated that in the case of highly visible Khmer Rouge, such as Duch and Ta Mok, their attorneys would need to be present for interviews, but expressed hope that the humanitarian mission would

allow them to be questioned about US MIAs. He pledged that they would make every effort to locate sources of information and expressed appreciation for the list that the League had provided.

The Prime Minister also stated that LTG Pol Saroeun, head of the POW/MIA Committee, having persuaded KR defections from Pailin, has responsibility for the mission and the ability to get information from the Khmer Rouge immediately as Deputy Commander in Chief of the Armed Forces and Chairman of the Joint Staff. He added LTG Saroeun also is tasked with reforming the Cambodian military forces, can write orders for them, and is publicly well known and admired by the Cambodian people.

Comment: The Prime Minister was cordial, expansive and responded positively to all suggestions and requests. The importance of gaining Vietnam's cooperation was a theme that Prime Minister Hun Sen reinforced in several instances. The League responded that he and other Cambodian officials likely have unique influence with the Vietnamese leadership that neither the League nor the US Government possesses. In dealing with Vietnam and Laos, implementation of the commitments of all governments involved, including the US, must be closely watched to ensure follow-through and to measure results. In Cambodia, commitments are honored and implemented unless the US Government does not follow through, as has been the case during the long delay. Hopefully, that situation is now resolved, implementation can and will occur without further impediment, and progress will result.

The same key points were raised with HRH Prince Norodom Ranariddh, President of the National Assembly, who also has a well-established history of support for the League's efforts. In addition to expressing appreciation for his personal support and that of the Cambodian government, the League suggested introduction of a Joint Resolution of the National Assembly and the Senate offering full bipartisan support for obtaining the fullest possible accounting for missing US personnel.

Prince Ranariddh immediately agreed to introduce the resolution and was confident that there would be no problem with passage in either the National Assembly or the Senate, stating his intention to call His Excellency (H.E.) Chea Sim, President of the Senate. He stated his plan to visit Hanoi the next week for meetings with the entire leadership, during which he would raise the need for their full cooperation on the cases of Americans still unaccounted for in Cambodia.

Comment: As in the past, His Highness was most cordial and responsive. The discussions made clear that Cambodia's cooperation on POW/MIAs spans the breadth of all parties in the newly formed coalition government, assurance that was welcome to the League Delegation, though anticipated.

H.E. Chea Sim, President of the Senate, was attentive to the League's concerns, as in prior meetings. He expressed appreciation for the League's recognition of Cambodia's efforts to assist and agreed to work with Prince Ranariddh to ensure that a Joint Resolution is passed in the Senate. He stated his full confidence in LTG Pol Saroeun and Chey Saphon, historian, to implement the Four Party Conference, for which he also stated full support. (Since returning from the trip, H.E. Chea Sim has already sent a letter to the League stating his strong support for our "noble mission" and readiness of the Royal Cambodian Government to cooperate closely, plus "undertake further steps to address the concerns of POW/MIA families.")

Their Excellencies Sar Kheng and You Hockry, Co-Ministers of Interior, were gracious in time and attention during the League Delegation's presentation that covered the same key points. (The two ministers had met with League Delegations in the past.) Minister Sar Kheng stated that Cambodia would continue to cooperate fully, that there were no internal obstacles since the issue is viewed as humanitarian, and that implementation has enabled the two countries to build trust. Since the Ministers indicated that they also plan an imminent trip to Hanoi, the League Delegation asked them to raise the need for Vietnam's cooperation with their counterpart, Vietnamese Minister of Public Security Le Minh Huong, a request which was met with a positive response.

The League hosted a working lunch with LTG Pol Saroeun, H.E. Sieng Lapresse, Major General Phoung Siphon, BG Kim Chan Nee and other members of the Cambodian POW/MIA Committee. Senior members of the POW/MIA Committee were present at most of the meetings with the Cambodian Ministers; therefore, informal discussions over lunch were most helpful. (Since the League Delegation returned, LTG Saroeun has already initiated contact to propose hosting the first session of the Four Party Conference.)

The final meeting in Cambodia was with H.E. Chey Saphon, the designated historian of the Royal Cambodian Government who has worked closely with DIA's Stony Beach over the last few years. The League Delegation expressed appreciation for his personal dedication to obtaining answers for the families and for his hospitality in welcoming us to his personal residence. The Delegation indicated to Chey Saphon

full confidence that his assistance is a key element of trilateral and four-party co-operation and expressed gratitude for his willingness to exert efforts on the difficult task of locating relevant archives and sources of information.

Noting with sadness the loss of his colleague, Lao historian Sisana Sisane, the League indicated that such longstanding relationships with officials in Vietnam and Laos are potentially very useful, but time is short since all are aging.

Mr. Chey Saphon indicated he is eager to continue his work with US officials and that he has already begun a renewed effort. He stated that he had worked closely with counterpart historians in Laos and Vietnam and was impressed with the scope of Vietnamese Government archives. He recognized the problem with passage of time and the need to move as quickly as possible. Referring to the aging of sources, League Adviser Richard Childress remarked to Chey Saphon, "Each time an old man dies, a library burns," a sentiment with which Chey Saphon agreed.

Assessment: The seriousness of the Royal Cambodian Government and its POW/MIA Committee, including H.E. Chey Saphon, stands as an example of full cooperation, yet there is much more that can be done and, in the League Delegation's view, will be pursued by responsible Cambodian officials. Undue caution on the US side was equally evident, especially in light of the humanitarian nature of the issue as recognized by Congress and others. The Delegation believes, however, that adjustments are being made to better utilize all assets and resources, following establishment of the new Royal Cambodian Government. These are welcome changes that will continue to be closely watched by the League, and further delays for less than valid reasons will be strongly opposed. Now that the political situation has stabilized, there should be no further excuses for failing to permit qualified US personnel to visit Cambodia whenever the need arises.

SACRAMENTO, CA 95831  
*June 17, 1999*

Honorable Phillip Crane, Chairman  
Committee on Ways and Means  
Subcommittee on Trade  
United States House of Representatives  
1104 Longworth House Office Bldg.  
Washington, DC 20515

Dear Honorable Crane,

As a Vietnamese-American, I am writing this letter to urge you to support the waiving of the Jackson Vanik (J-V) requirement for Vietnam, and to encourage better U.S.-Vietnam trade relation for the following economic and political reasons.

Economically, free trade would benefit all the countries involved. Specifically I believe strongly that waiving the J-V requirement for Vietnam would:

- (1) Encourage free trade between the U.S. and Vietnam,
- (2) Nurture a free market system in Vietnam, and
- (3) Improve economic conditions and standards of living of the people of U.S. and Vietnam.

Politically, waiving the J-V requirement would:

- (1) Reinforce the image of the U.S. as a champion of free trade and free market system.
- (2) Provide free flow of information to Vietnam, and
- (3) Encourage needed political changes, democracy, and human rights improvement in Vietnam.

I believe that many Vietnamese-Americans also share my view. In a recent Los Angeles Times survey of 861 Vietnamese Americans living in Southern California\*, 69% of the respondents believed that lifting the trade embargo against Vietnam would have a positive effect on economic conditions for most of the people living in Vietnam. Only 6% believed that it would have negative effect. In addition, 49% believed that lifting the embargo would encourage democracy and human rights in Vietnam. Only 13% believed that it would discourage human rights.

Waiving the J-V requirement for Vietnam would be in the best interest of the people of the U.S. and Vietnam, and would be in compliance with the spirit of the J-V requirement. I urge you to support this waiving.

Respectfully,

DAN NGUYEN

*\*"Southland Vietnamese Support Renewed Ties,"* D. Carvajal, T. Le, and L. Dizon, Los Angeles Times, June 12, 1994.

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**Statement of Bruce R. Harder, Director, National Security and Foreign Affairs, Veterans of Foreign Wars of the United States**

Mr. Chairman and Members of the Subcommittee:

The Veterans of Foreign Wars of the United States is pleased to be able to present a written statement for the record.

This statement is the written testimony of Bruce R. Harder, Director, National Security and Foreign Affairs of the Veterans of Foreign Wars of the United States. We understand that the purpose of today's hearing is to evaluate overall U.S. trade relations with Vietnam and to consider President's renewal of Vietnam's waiver under the Jackson-Vanik Amendment to the Trade Act of 1974.

My testimony today is limited to presenting the VFW leadership's views on the impact of the President's renewal of Vietnam's waiver under the Jackson-Vanik Amendment to the Trade Act of 1974 on the Prisoner of War (POW) and Missing in Action (MIA) issue as a result of the Vietnam War.

The POW/MIA issue has been, and remains a priority issue with the Veterans of Foreign Wars of the United States. VFW Resolution Number 431, "Americans Who Are Prisoners of War or Missing in Action," provides the VFW's policy on the POW/MIA issue. Our policy is broken down into two simple goals. The VFW's first goal is to reach the fullest possible accounting of Americans missing from all our nation's past wars. Our second goal is to urge the President of the United States of America and every member of the Congress to speak out on every occasion to expedite the return of those U.S. servicemen who are still unaccounted for from all our nation's past wars. To the VFW, full accounting means the return of either a live American serviceman or his identified remains to this country and his family for proper military burial with full honors.

With 2,060 (1,534 in Vietnam) Americans still missing from the Vietnam War, we still have a long way to go before the accounting process is complete. The VFW supports the fullest possible accounting effort for those Americans who did not return home from the war.

The VFW believes that it plays an important role in staying engaged with the U.S. government and other organizations on the POW/MIA issue. We closely review the government's program, policy, and activities for accounting for Americans who remain "unaccounted-for" from all of our nation's past wars. As one of the largest and most respected veteran's organizations, we believe it is our responsibility to closely monitor activities and developments in the POW/MIA area and to take an active role when it is appropriate.

I am responsible for keeping our National POW/MIA Committee, our Department POW/MIA Chairmen, and our national leaders informed on the POW/MIA issue. We accomplish our goals by staying in frequent contact with the Defense Prisoner of War/Missing Personnel Office (DPMO), and other veteran and family organizations on the issue. In addition, I closely monitor the news media and stay in regular contact with State Department representatives on issues related to POW/MIA accounting.

The VFW has been making trips to Vietnam since July 1991. On our first trip VFW officials accompanied Congressman Lane Evans of Illinois and representatives of other Veterans Service Organizations to visit Hanoi, Hue City, and Ho Chi Minh City. Since that first visit, the VFW has made regular annual visits back to Southeast Asia. Last year, VFW representatives visited Vietnam on three separate occasions and Laos on two occasions. Our mission on every trip to Southeast Asia has been the same. We urge both U.S. Government and foreign government officials and their veteran's organizations to diligently work toward resolving the cases of Americans missing from the war in Southeast Asia. The VFW sends national officers to Southeast Asia each year to help remind all involved that the mission is not yet completed. We will not rest until the mission is accomplished and our missing comrades are accounted for. We will not forget those who were left behind. Our goal is to bring home every missing American warrior.

Most recently, in December 1998, three of our national officers traveled to Southeast Asia to demonstrate our continuing commitment to the "fullest possible accounting" process for Missing Americans from the war. We went there to express our views and listen to key U.S. and foreign government officials and foreign veterans' organizations. Also, we went to visit the Joint Task Force-Full Accounting Detachment Headquarters in Hanoi, Vietnam and Vientiane, Laos to receive update

briefings, collect information, meet key personnel, and discuss progress on POW/MIA accounting directly with them. As in the past, we found the Americans deployed under the command and control of Joint Task Force-Full Accounting to be highly motivated, dedicated, and focused on the mission.

Our trips to Vietnam have occurred both before and after the trade embargo was lifted and diplomatic relations were established. Since the establishment of diplomatic relations between the United States and Vietnam, we have not seen any decrease in the effort to account for our missing men on the part of either the U.S. or Vietnam. On two visits to both Vietnam and Laos last year, we saw no evidence that current U.S. government policies on trade were having a negative effect on the MIA accounting process.

We believe that current U.S. trade policies towards Vietnam have resulted in both gradual improvements in U.S.-Vietnamese relations in general and proportional improvements in Vietnamese cooperation in efforts to account for missing Americans from the war. A few examples of better overall U.S.-Vietnamese cooperation are taken from the VFW Commander-in-Chief's report of our most recent visit to Southeast Asia in December 1998.

The following conclusions from Mr. Pouliot's trip report are offered as a result our discussions, meetings, and observations during the subject visit:

"In Vietnam, On the issue of unaccounted for Americans from the War in Southeast Asia, my conclusion is that the Vietnamese government appears to be cooperating 'in good faith' with the U.S. government in working to resolve the issue. Evidence that this is in fact happening is as follows:

a. The Vietnamese government assists U.S. MIA activities with their own unilateral programs such as POW/MIA information distribution and unilateral investigations.

b. The Vietnamese have made significant improvement in terms of both quantity and quality of their Unilateral Investigations over past years. U.S. analysts are now reviewing reports of the 14 unilateral investigations that were delivered to JTF-FA at Dalat in November 1998.

c. The Vietnamese Office for Seeking Missing Personnel (VNOSMP) regularly receives information from Vietnamese citizens about missing Americans and passes it on to JTF-FA Detachment 2.

d. VNOSMP is cooperating and working closely with DPMO to provide information to help complete the DPMO "Remains Study." In November 1998, Mr. Bob Jones, DASD DPMO, requested VNOSMP assistance in answering additional questions that cut across several SRV government ministries. This includes requests for lists of American remains and documents that tasked civil and military authorities to inspect and confirm the location of American graves. Also, he has asked for a copy of a central government directive that dealt searching for, verifying and recovering the graves and personal effects of American pilots. Copies of documentary photos taken by SRV technicians of recovered remains were also requested. The SRV officials have said they remain committed to assisting DPMO in the completion of this study.

e. VNOSMP obtains access for JTF-FA research teams.

f. The Vietnamese have established an MIA office in Ho Chi Minh City and have established a joint document center in Hanoi.

g. SRV Officials have agreed to focus their efforts on the 43 last known alive cases. Early in 1999, U.S. and Vietnamese officials have agreed to participate in working level meetings on LKA cases.

h. According to DPMO, Trilateral Operations (U.S./Vietnam/Laos) have been successful. Vietnamese documents and witnesses are one of the best potential sources for resolving many cases of missing Americans in Laos and Cambodia. The Vietnamese have agreed to continue cooperative Tri-lateral efforts, especially with Laos.

i. The Oral History Program and document turnover have been relevant for case investigation and resolution. In November 1998, the Vietnamese turnover two new documents related to U.S. aircraft losses to U.S. analysts at Dalat. According to Mr. Jones, the Vietnamese officials promised continued cooperation in the search for additional documents, and the Vietnamese said they have issued a directive asking the Vietnamese people to bring forward any information they have on U.S. MIAs.

Also, in Vietnam (SRV), leads and excavation sites will probably begin to thin out in 2002. Given the current number of planned investigations and excavations, JTF-FA operations in SRV will continue on a steady pace until at least FY2001. Cases remaining unresolved at that point will be extremely difficult to resolve because of the lack of information, terrain, and other factors. Their resolution may have to wait until new leads are uncovered in the future."

Some additional examples of progress on the POW/MIA issue is listed below according to the four criteria used by the Administration to measure Vietnamese cooperation.

The first criteria are the efforts by Vietnam to recover and repatriate American remains. Since 1973, 523 Americans have been accounted for in Southeast Asia. Of that total, 387 were accounted—for from Vietnam. Also, since 1988, 54 Joint Field Activities (JFAs) have been conducted in the SRV (33 since 1993). Five JFAs were conducted in SRV last year (1998). Typically, each JFA in SRV involves about 100 U.S. personnel working with Vietnamese counterparts doing investigations and excavation operations. Between December 1, 1998 and April 30, 1999, Joint task Force-Full Accounting (JTF-FA) conducted 3 Joint Field Activities (JFAs) in Vietnam. The past three JFAs resulted in the repatriation of 6 sets of remains. Over this period the Central Identification Lab Hawaii (CILHI) has identified 9 individuals representing 8 different cases. Since 1993, 266 sets of remains have been repatriated. Since 1993, 117 identifications in SRV.

In addition, the SRV has been responsive to U.S. requests to conduct case-specific unilateral investigations. These investigations include witness interviews and archival research. Each year the SRV reserves two periods during which Vietnamese unilateral teams conduct investigations and then report their findings to U.S. officials. Vietnamese unilateral investigation teams have provided reports on 38 different cases. The total number of unilateral reports since 1993 is 162. Vietnam's unilateral efforts have supported the U.S. "Remains Study" that evaluates the SRV's official efforts to recover American remains. The SRV responses provided to U.S. questions reflect extensive research and investigative activity. In one instance, the SRV's investigative results lead directly to the identification of U.S. remains.

The VNOSMP pledged to continue cooperation with the U.S. government to execute joint and unilateral operations designed to resolve the cases of missing Americans from the war to the fullest extent possible.

In November 1998, Mr. Robert L. Jones, DASD DPMO, requested an SRV Foreign Ministry review of the "deferred" and "no further pursuit" category of unaccounted-for cases. The idea was to determine if the Vietnamese possessed additional information pertaining to these cases. Vietnamese Vice Foreign Minister Bin promised a formal response to Mr. Jones by the end of March 1999, and the response was delivered to DPMO on time. Analysts at JTF-FA and DPMO are now reviewing and analyzing the Vietnamese response.

The second criteria are the continued resolution of "last known alive" (LKA) priority discrepancy cases. Of the 196 persons associated with "last known alive" cases (individuals who survived their loss incidents, but did not return alive and remain unaccounted-for) in Vietnam. Fate has been determined for all but 43 of these individuals. Determination of the fate for individuals on this list last occurred in May 1998 when the fate of five individuals was determined.

Of the 153 "last known alive" cases whose fate has been determined, DoD has resolved the cases or identified the remains of 37 formerly unaccounted-for Americans who were originally on the LKA list. Fourteen of these identifications were completed in the last five years. These are the most difficult cases to solve.

The special remains list is a representative sampling of cases for which the U.S. government has evidence that the SRV government, at one time, possessed remains of American servicemen that were still unaccounted for in 1993 when the was prepared and given to the SRV. The U.S. government has resolved special remains cases involving 19 individuals. This reduces the original list of 98 individuals on this list to the present list of 79 individuals.

The third criteria are Vietnamese assistance in implementing the trilateral investigations with Laos. Since 1994 when the agreement for these investigations was signed, a total of 31 Vietnamese witnesses have participated in operations in Laos. In March 1999, a Laotian witness participated in an investigation in Cambodia. As of April 1999, Vietnam identified more than 40 witnesses for participation in future operations in Laos. Eight witnesses were identified since December 1, 1998.

The fourth criteria are accelerated Vietnamese efforts to provide all POW/MIA related documents. Since 1994, when Vietnamese unilateral search teams were created, the Vietnamese Office for Seeking Missing Personnel (VNOSMP) has provided 14 separate turnovers totaling more than 300 documents that consist of 500-600 untranslated pages. Recently, VNOSMP provided 12 documents in two separate turnovers. These were related to the U.S. study of Vietnam's collection and repatriation of U.S. remains or "Remains Study." In addition, over 260 oral histories have been conducted not including the hundreds completed during JFA operations. Finally, over 28,000 archival items were reviewed and photographed since January 1993 by joint research teams.

Since we did not observe a decrease in the POW/MIA accounting and cooperation effort with the Vietnamese after the lifting of the trade embargo, establishment of diplomatic relations, and past waiver of the Jackson-Vanik Amendment, it suggests that this year's waiver of the Jackson-Vanik Amendment restrictions will not result in any decrease in cooperation between our countries on the POW/MIA issue. The Vietnamese know that the POW/MIA accounting is the single most important issue governing the relationship between our two countries. Based upon our observations and conversations with JTF-Full Accounting personnel and other U.S. government officials during our visit to Vietnam in December 1998, it is my opinion that current trade relations with Vietnam may have helped rather than hindered the accounting process for missing Americans. Also, if improving U.S.-Vietnamese trade relations and normalizing our relationship with Vietnam helps us reach our goal of the "fullest possible accounting" of missing Americans, then it makes sense to do so.

Finally, I'd like to point out that the VFW has had a POW/MIA initiative for the last several years. Briefly, we encourage our members to come forward with information and documentation about Vietnamese casualties from the war. Keeping the information anonymous, we then present the information to the Vietnamese veterans' organization when we visit Vietnam. We have presented information about their losses to their veterans on four different occasions. We believe this initiative has helped improve relations with the Vietnamese people, and shows American sincerity in attempting to resolve this issue. Feedback from Joint Task Force-Full Accounting personnel permanently stationed in Hanoi, indicates that this initiative others like it, have resulted in improved cooperation between U.S. personnel and Vietnamese counterparts. Also, we have asked the Vietnamese veterans for help in resolving some of the most difficult cases of our missing in action.

In conclusion, the VFW believes that progress has been made on POW/MIA accounting in Vietnam, Laos, and Cambodia since the establishment of Joint Task Force-Full Accounting in January 1992. Over the past decade years, we have developed an effective and cooperative relationship with Vietnam on the POW/MIA issue. Since 1992, this partnership with Vietnam has produced reasonable results in the accounting process, but more work still remains. Twenty years ago the relationship between our countries was not very good and as a result, the POW/MIA accounting process was slow and less productive. Our visits to Southeast Asia, our meetings and discussions with both the Department of Defense and Department of State officials here in Washington, and our constant review of monthly POW/MIA progress, lead us to the conclusion that we should continue the policy of engagement with Vietnam. We believe that current relationship between the U.S. and Vietnam is helping the POW/MIA accounting process.

Finally, our primary goal is to achieve the fullest possible accounting of Americans missing from the war in Southeast Asia as well as all Americans missing from all our nation's wars and conflicts. We think the normalization of trade relations between the United States and Vietnam helps to accomplish this goal. Our view is that the current effort with Vietnam, Laos and Cambodia is producing positive results. Certainly, we are not satisfied that it has taken so long to reach this point. The current effort should have begun the moment the guns fell silent. We will continue to remain vigilant and press our government and those foreign governments to reach the fullest possible accounting as soon as possible. But, no matter how long it takes, the VFW will continue to strive to reach our goal—the fullest accounting for every missing American warrior.

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to present the views of the Veterans of Foreign Wars of the United States on the issue of U.S.-Vietnam Trade Relations.

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**Statement of Tanette Nguyen McCarty, Vietnamese-American Voters'  
Coalition, Long Beach, California**

Mr. Chairman:

My name is Tanette Nguyen McCarty. I am an econometrician with the New York State Division of the Budget. My father, Professor Nguyen Ngoc Huy, was a professor of law and political science in South Vietnam, the leader of a prominent political party, the Tan Dai Viet, and a member of the South Vietnamese delegation to the Paris Peace Talks. He and his friends shared a common goal: to bring freedom and democracy to Vietnam. His work is being continued in the United States by the Vietnamese-American Voters Coalition. I am here to speak for the Coalition and to oppose a second waiver of the Jackson-Vanik amendment for Vietnam.

Last year at this time, the Vietnamese-American Voters Coalition expressed its opposition to the waiver of the Jackson-Vanik amendment for Vietnam. Our opposition was based on the view that the waiver would hurt the cause of freedom in Vietnam.

Despite our opposition, the waiver was approved. But now, a year later, events appear to bear out our original concerns. Despite the granting of the waiver, the human rights situation is no better than it was. On the contrary, it has gotten worse.

The communist regime is still imprisoning hundreds of religious and political dissidents, such as Professor Nguyen Dinh Huy, journalist Nguyen Ngoc Tan; the Catholic priests, Rev. Mai Duc Chuong and Rev. Pham Minh Tri; the United Buddhist Church of Vietnam monks, (Venerable) Thich Thien Minh and (Venerable) Thich Hue Quang, and the Hoa Hao Buddhist leader, Le Van Son.

The regime has also intensified the atmosphere of repression in Vietnamese society. Dr. Nguyen Thanh Giang, a geologist and well known political dissident in Hanoi, was arrested and only released last month because of intense international pressure on the Vietnamese government. In the meantime, direct threats have been made against other Hanoi dissidents, including Hoang Minh Chinh, Hoang Tien, Vu Nuy Cuong, Nguyen Kien Giang and Hoang Huu Nhan.

The decree on administrative detention (31/CP) that authorizes village level Peoples' Committees and public security officials to detain individuals without trial for from six months to two years remains in force and it inspires fear throughout the country because it is applied to those persons deemed to have violated laws on national security but whose offense "is not serious enough to be prosecuted criminally."

The continuing repression in Vietnam exacts a heavy toll on the Vietnamese people. Revenue from foreign trade and even humanitarian aid, such as relief for the victims of Typhoon Linda provided by the International Red Cross, have been stolen by corrupt officials and corruption is the underlying reason why despite several years of bumper rice crops in the Mekong Delta, the standard of living of the people living there has not changed.

The U.S. State Department, in its report on human rights in Vietnam in 1998 said that the government's human rights record remained poor and that the regime continued to repress basic political and religious freedoms.

In the debate over the waiver of the Jackson-Vanik amendment for Vietnam last year, one of the most substantial arguments in favor of the waiver was that Vietnam no longer required exit permits as a pre-condition for access to interviews under the U.S. Resettlement Opportunity for Vietnamese Returnees Program (ROVR.) In fact, Vietnam did not eliminate the necessity of an exit permit but only delayed it until after the interview. The reality, as viewed from inside Vietnam, is that the emigration situation has not improved.

In light of these conditions, we urge that the proposed waiver of the Jackson-Vanik amendment for Vietnam be denied, until the Vietnamese government satisfies at least three important conditions. The Vietnamese government should:

1. Immediately and unconditionally release all religious and political prisoners and allow them to assume an active role in the life of the country without discrimination, harassment or surveillance;
2. Immediately grant freedom of religion, expression, assembly, movement; and
3. Amend the constitution to allow all individuals and political parties to compete equally in all popular elections.

Freedom and respect for human rights constitute the core of our nation. As the most powerful democracy in the world, we must do our best to encourage the same principle in other nations that we live by ourselves. My father, who left Vietnam, the day before the communists took over, escaped the fate of many who spent years wasting away in so called "reeducation camps." But he never forgot those who were left behind. We must not forget them either.

There are many persons who argue that the waiver of the Jackson-Vanik amendment and the eventual extension of most favored nation status to Vietnam will promote the liberalization of Vietnamese society. The experience of the last year—as well as all our knowledge of the nature of communist societies—suggests that exactly the opposite is the case. It is only the insistence on the fulfillment of strict conditions in return for concessions that is able to promote change.

I therefore urge you to reject an extension of the waiver of the Jackson-Vanik amendment for Vietnam. I make this request in the names of the many brave American soldiers who died in Vietnam, in my father's name, and in the name of all the political prisoners in Vietnam who cannot speak for themselves.

Thank you.

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VIETNAMESE NATIONALIST COMMUNITY OF AUSTIN AND VICINITY  
AUSTIN, TX 78708-1574  
June 11, 1999

The Honorable Philip M. Crane  
Chairman  
Subcommittee on Trade  
1104 Longworth House Office Building  
Washington DC 20515

Dear Mr. Chairman:

We represent the Vietnamese community of Austin, Texas and its neighboring areas. In lieu of a personal appearance before the House Ways and Means Subcommittee on Trade regarding this year's Jackson-Vanik waiver for the R'S Vietnam granting Normal Trade Relations, formerly known as the Most Favoured Nation Status, we are writing you to express our opinions as well as the opinions of those living within our communities.

Based on our own recent personal experiences and information from members of our communities, in which we represent, we would like to express the following thoughts and facts:

1. 17th June in Vietnamese history marks the day in which a National Vietnamese Hero Nguyen Thai Hoc and many other Vietnamese nationals were executed for their belief and adherence to the ideals of an independent nation governed by its citizens, a nation of the people and for the people.

2. The Vietnamese Communist Party (VCP) has relaxed its grips somewhat but still maintains firm and total control of all aspects of life in Vietnam. Its government process is closed to all, and accountable to no one, except a few members of the party's top politburo. This absolute power has allowed the VCP to corrupt Vietnam absolutely. The VCP has always made international businesses support and contribute to its absolute power. Do we allow any members of our political system to get away with such corruption and abuse of power?

3. The Vietnamese Communist Party and its members at all levels have been systematically abusing their authority and power to extort and exploit the people of Vietnam and all business entities to illicitly profit its members, and to ultimately perpetuate its rule. Specifically, international companies, investors and applicants for exit visas, have all been subjected to difficulties and unnecessary delays by VN government officials for political persecution and for extracting large bribes. "In October 1997, journalist Nguyen Hoang Linh, the editor of a business newspaper, was arrested, charged and convicted for publishing articles detailing alleged corruption among customs officials" (US Department of State, *Vietnam Country Report on Human Rights Practices for 1998*). Many international business executives have lost all their investments in Vietnam, and even their freedom, due to Vietnam's corrupt government and judicial systems and arbitrary interpretation and enforcement of the laws. Reuters has reported that 120 companies and 19 banks have sold their assets and left Vietnam in the first two months of 1999 due to lack of profits.

4. The Vietnamese Ambassador Le Van Bang was presented with questions at a Symposium of ASEAN Ambassadors held on 9 April, 1999 at the University of Texas at Austin. Present at this Symposium were several Vietnamese groups representing the community. Although the official government position states that the economy is booming, the GDP per capita is approximately \$300 (this is less than a roundtrip airplane ticket from Austin, Texas to San Jose, California). One must ask the question, who benefits from the booming economy? The average citizen or specific members of the government? Furthermore, Ambassador Bang stated that the economy grew at a rate of 6% last year. This official growth rate conflicts with reports from sources well regarded as the IMF, Reuters and the Wall Street Journal. The Wall Street Journal indicates that the actual growth rate for Vietnam is 3%, a clear difference of 3%. If this were a poll where a  $\pm 2\%$  or 3% didn't really make a difference, this discrepancy would be tolerated. However, this is not a poll that allows for a margin of error. This is actual figures by which one ascertains the true value of any business enterprise. Clearly, Mr. Alan Greenspan cannot get away with such an erroneous statement of fact, why should the Vietnamese government represented by its Ambassador be allowed to make such a false statement? As other member nations of ASEAN continue to reform their political systems to be more open and democratic, to remove as many barriers and economic regulations in response to the economic crisis that occurred last year, Vietnam is tightening its polit-

ical system and increasing regulations in its economic policy. Do we truly want a trade partner that creates an environment where it economically benefits one party, and it is not the US?

5. The government of Vietnam has been blatantly denied its people their basic human rights and freedom of religion, expression and politics. They have been imprisoning and torturing hundreds of religious and political leaders who peacefully demanded their basic rights. Vietnam's severe oppression of religious freedom was clearly confirmed by the United Nation's Special Rapporteur on Religious Intolerance Abdelfattah Amor's report on his visit to Vietnam in October 1999, published in February 1999. Even the UN's envoy was prevented from visiting senior representatives of the non-government sanctioned Unified Buddhist Church of Vietnam. Lack of accomodation and disrespect to a request made by an envoy of the international community, who is also representing the US, should be a concern, particularly in a matter that is not as explosive as the concealing of the development of biological weapons or is Vietnam truly concealing something? We would like to suggest that Vietnam is concealing its continued dehumanization of the human person by not respecting the basic fundamental rights of all human beings, the rights of expression, the right of self-determination.

6. Since 1998, the political oppression by the VN government has become worse. The VN government has implemented its 31/CP directives that allows imprisonment of any critics, dissidents or suspects for up to 2 years in inhumane detention centers without legal charges.

7. Since the Communist Party has unlimited and unaccountable power, revenue and profit from foreign trades, and even humanitarian aids, have been widely known to be liberally skimmed off by the Communist Party and many layers of its members for their personal gains. Trade with the US will benefit only the Communist Party and its members, who will use the proceeds to further control, manipulate, oppress and impoverish the people of Vietnam, in effect lengthening the cycle of injustice, oppression, poverty and hopelessness. US trading privileges for Vietnam will therefore further deepen the inequity, injustice, oppression and impoverishment of the people of Vietnam.

To encourage the Vietnamese Communist government to increase the speed and intensify its political and economic reforms toward a more just, fair, and equitable system for the people of Vietnam, we urge the US government *not to grant special trading privileges* to the government of Vietnam until it meets the following conditions:

1. Vietnam must honor the United Nation's International Covenants on Political and Civil Rights, in which it is a party and signatory, and grant immediate and unconditional release of all religious and political prisoners without confinement, harassment and surveillance.

2. Vietnam must immediately grant all its citizens freedom of religion, expression (speech, press, Internet), congregation, movement and political alliances.

3. Vietnam must amend its constitution to allow all individuals and political parties, besides the Communist Party members, to compete openly and fairly in all social, economic, political and professional activities, with internationally supervised elections.

We are not advocating that ties to Vietnam be ceased nor censured. However, we are advocating a measure of constraint. Although exports to Vietnam is not as great as that to other nations and thus, we can easily waive this issue aside and state that it's only a little bit of money that we are concerning ourselves with, we, as a country, still have to stand up for the principle. The principle here is the right of human beings to determine their own destiny in a democratic society. Why do we continue to broadcast Radio Free Asia when the broadcast is being jammed by the Communist government of Vietnam? If it were not for the ideals of democracy, freedom of religion, freedom of expression, everything the United States of America is founded upon, then there is no purpose. We have broadcasts continuing for years in the direction of Cuba. Why? Because we believe that our ideals of a free, democratic nation is worth it. Should it not also be worth it to us as a nation to continue to encourage these ideals in other nations? We send our men and women to be peace keepers in Kosovo as part of an international peace keeping force. Why do we do this? Again, it is because we believe in the respect and dignity of the human person to strive towards freedom of expression, freedom of determination in a democratic society. Should we not be consistent with our national agenda and make a difference in this matter of the RS Vietnam? We urge the members of this most esteemed and honoured group to not grant Vietnam Normal Trade Relations nor any other special trading privileges.

We thank the distinguished members of the House Ways and Means Subcommittee on Trade for considering our perspective and position.

MR. KHANH K. CHAU

*President*

MR. HUNG QUOC NGUYEN

*Public Relations Director*

